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99th Congress, 2d Session | HOUSE OF REPRESENTATIVES | Report 99-747

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS BILL, 1987

August 5, 1986.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Obey, of Wisconsin, from the Committee on Appropriations, submitted the following

REPORT

ORIGINAL

together with

ADDITIONAL VIEWS

[To accompany H.R. 5339]

The Committee on Appropriations submits the following report in explanation of the accompanying bill making appropriations for foreign assistance and related programs for the fiscal year ending September 30, 1987 and for other purposes.

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SUMMARY OF THE BILL

[Budget authority by fiscal years]

	Fiscal year 1986 [1] adjusted level	Fiscal year 1987 requested	Recommended	Recommended compared with— Fiscal year 1986 adjusted level	Recommended compared with— Fiscal year 1987 requested
Title I—Multilateral Economic Assistance:					
International Financial Institutions	1,142,512,240	1,392,002,125	1,021,449,000	−121,063,240	−370,553,125
International organizations and programs	265,971,475	186,000,000	238,995,000	−26,976,475	+52,995,000
Subtotal, title I	1,408,483,715	1,578,002,125	1,260,444,000	−153,039,715	−322,558,125
Title II—Bilateral Development Assistance	2,584,208,000	2,758,452,000	2,624,075,00	+39,867,000	−134,377,000
Economic Support Fund	3,540,642,000	4,093,800,000	3,196,798,000	−343,844,000	−897,002,000
Subtotal, title II	6,124,850,000	6,852,252,000	5,820,873,000	−303,977,000	−1,031,379,000
Title III—Military Assistance *	5,767,350,500	6,726,280,000	4,987,523,284	−779,827,216	−1,738,756,716
Subtotal, titles I, II, III	13,301,684,215	15,156,534,125	12,068,840,284	−1,231,843,931	−3,087,693,841
Title IV—Export-Assistance *	1,080,357,000	318,000,00	916,331,000	−164,026,000	+598,331,000
Grand total, all titles New budget (obligational) authority	14,381,041,215	15,474,534,125	12,985,171,284	−1,395,869,931	−2,489,362,841

* Staff note: These figures have been adjusted to insure comparable accounting methods between fiscal years for the Foreign military credit sales program and the Export-Import Bank.

[1] Does not include supplemental of $150,000,000.

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SUMMARY OF THE TOTALS OF THE BILL

The Committee recommends an appropriation of $12,985,171,284 in new budget authority.

Highlights of the bill include the following:

Multilateral economic assistance	$1,260,444,000
Bilateral economic assistance	5,820,873,000
Military assistance	4,987,523,284
Export-Import Assistance	916,331,000

COMPARED WITH PRESIDENT'S REQUEST

The Committee recommendations when compared with the FY 1987 request provide for a reduction of 16 percent or $2,489,362,841. It is 24.7 percent below the Congressional Budget Office (CBO) scoring of that same budget request. There is a difference between CBO and the Office of Management and Budget in terms of how they define spending under the Export-Import Bank "I MATCH" Program. For development assistance accounts, the Committee recommendations provide for a reduction of 10 percent or $451.935 million. The Committee recommendation for the Economic Support Fund provides for a reduction of $897.002 million or 22 percent. The Committee recommendation for all the military assistance programs provides for a reduction of $1,738.757 million or 26 percent.

COMPARED WITH FY 1986 LEVEL

The Committee recommendations when compared with the FY 1986 post sequestration level provide for a reduction $1,395,869,931 or 10 percent in total. The Committee recommendations provide for a reduction of $108.173 million or 3 percent in development assistance accounts. The Committee recommendation for the economic support fund provides for a reduction of $343.844 million or 10 percent. The Committee recommendation for all the military assistance programs provides for a decrease of $779.827 million or 14 percent.

COMPARED WITH FY 1985 LEVEL

The Committee recommendations when compared with the FY 1985 total, including the Middle East Supplemental is a reduction of 36.5 percent or $7,455,195,352. Compared to the FY 1985 base, the reduction is 29 percent or $5,205,195,352. Compared to the FY 1985 base, the Committee recommendation for FY 1987 treats the three main areas of the bill evenly. The recommendations represent a 16 percent reduction in total military aid. For the Economic Support Fund, the recommendations represent a 16 percent reduction from the FY 1985 base. For Develpoment Assistance, the recommendations represent a 15 percent reduction from the FY 1985 base. Table 1 shows these figures.

COMPARED WITH FY 1981 LEVELS

The Committee recommendation when compared with FY 1981 levels is a reduction of 16 percent or $2,549,012,160.

For military assistance the Administration budget request this year asked the Committee to approve a package which would have resulted in grant military assistance increasing 850 percent above FY 1981 levels. The Committee mark brings that amount down to 513 percent above 1981 levels. Foreign military sales under the Administration request would have been 84 percent above the level they were in 1981. The Committee recommendation represents a 40 percent increase since 1981. For all military assistance accounts combined, the Administration's request represents a 111 percent increase above 1981. The Committee recommendation is a 57 percent increase since 1981.

In Economic Support Funds (ESF), the Administration requested a 95 percent increase above 1981. The Committee recommendation represents a 52 percent increase.

In contrast, for bilateral development assistance, the Administration requested what would have been a 17 percent increase over 1981 numbers, and the Committee is recommending an 11 percent increase. For total development assistance, the Administration request amounted to a 19 percent increase over 1981, and the Committee recommendation represents a 7 percent increase. Table 2 shows these figures.

TABLE 1.—FISCAL YEAR 1987 RECOMMENDATION AND REQUEST COMPARED TO FISCAL YEAR 1985

Program title	Fiscal year 1985 enacted	Fiscal year 1987 request	Recommendation	Fiscal year 1987 request		Recommendation	
				Versus fiscal year 1985	Percent	Versus fiscal year 1985	Percent
Military Assistance Program:							
Military Assistance	805,100,000	1,046,450,000	675,697,000	+241,350,000	+30	−129,403,000	−16
International Military Education and Training	56,221,000	68,830,000	47,082,000	+12,609,000	+22	−9,139,000	−16
Foreign Military Credit Sales: Direct credits and forgiven loans	4,939,500,000	5,611,000,000	4,264,744,284	+671,500,000	+14	−674,755,716	−14
Guarantee Reserve Fund	109,000,000			−109,000,000	NA	−109,000,000	NA
Total, military assistance programs	5,909,821,000	6,726,280,000	4,987,523,284	+816,459,000	+14	−922,297,716	−16
Economic Support Fund	3,326,000,000	4,093,800,000	3,196,798,000	+267,800,000	+7	−629,202,000	−16
Development assistance:							
International organizations and programs	358,676,500	186,000,000	238,995,000	−167,676,500	−48	−119,681,500	−35
Bilateral development assistance	2,898,426,250	2,758,452,000	2,624,075,000	−139,974,250	−5	−274,351,250	−9
Subtotal, nonbank development assistance	3,257,102,750	2,944,452,000	2,863,070,000	−307,650,750	−10	−394,032,750	−12
International Financial Institutions	1,311,442,886	1,392,002,125	1,021,449,000	+80,559,239	+6	−289,993,886	−22
Total, development assistance	4,568,545,636	4,336,454,125	3,884,519,000	−227,091,511	−5	−684,026,636	−15
Total, Budget authority, titles I, II & III	14,304,366,636	15,156,534,125	12,068,840,284	+847,167,489	+6	−2,235,526,352	−16
Export assistance:							
Budget authority effect of Ex-Im limitations	3,865,000,000		900,000,000	−3,865,000,000	NA	−2,965,000,000	−77
Other	21,000,000	318,000,000	16,331,000	+297,000,000	1414	−4,669,000	−22
Total, export assistance	3,886,000,000	318,000,000	916,331,000	−3,568,000,000	−92	−2,969,669,000	−76
Total, Budget authority (including Ex-Im)	18,190,366,636	15,474,534,125	12,985,171,284	−2,710,832,511	−15	−5,205,195,352	−29
Middle East Supplemental	2,250,000,000						
Total	40,366,636					−7,455,195,352	−36.5

TABLE 2.—FISCAL YEAR 1987 RECOMMENDATION AND REQUEST COMPARED TO FISCAL YEAR 1981

	Fiscal year 1981 enacted	Fiscal year 1987 request	Recommendation	Fiscal year 1987		Recommendation	
				Versus fiscal year 1981	Percent	Versus fiscal year 1981	Percent
Military Assistance Programs:							
Military Assistance	110,200,000	1,046,450,000	675,697,000	+936,250,000	+850	+565,497,000	+513
International Military Education and Training	28,400,000	68,830,000	47,082,000	+40,430,000	+142	+18,682,000	+66
Foreign Military Credit Sales: Direct credits and forgiven loans	3,046,187,000	5,611,000,000	4,264,744,284	+2,564,813,000	+84	+1,218,557,284	+40
Total, military assistance programs	3,184,787,000	6,726,280,000	4,987,523,284	+3,541,493,000	+111	+1,802,736,284	+57
Economic Support Fund	2,104,500,000	4,093,800,000	3,196,798,000	+1,989,300,000	+95	+1,092,298,000	+52
Development assistance:							
International organizations and programs	262,380,000	186,000,000	238,995,000	−76,380,000	−29	−23,385,000	−9
Bilateral development assistance	2,365,915,500	2,758,452,000	2,624,075,000	+392,536,500	+17	+258,159,500	+11
Subtotal nonbank development assistance	2,628,295,500	2,944,452,000	2,863,070,000	+316,156,500	+12	+234,774,500	+9
International financial institutions	1,003,600,944	1,392,092,125	1,021,449,000	+388,401,181	+39	+17,848,056	+2
Total, development assistance	3,631,896,444	4,336,454,125	3,884,519,000	+704,557,681	+19	+252,622,556	+7
Total, budget authority, titles I, II and III	8,921,183,444	15,156,534,125	12,068,840,284	+6,235,350,681	+70	+3,147,656,840	+35
Export assistance:							
Budget authority effect of Ex-Im limitations	6,613,000,000		900,000,000	−6,613,000,000	NA	−5,713,000,000	−86
Other		318,000,000	16,331,000	+318,000,000	NA	+16,331,000	NA
Total, export assistance	6,613,000,000	318,000,000	916,331,000	−6,295,000,000	−95	−5,696,669,000	−86
Total, budget authority (including Ex-Im)	15,534,183,444	15,474,534,125	12,985,171,284	−59,649,319		−2,599,012,160	−16

OVERVIEW

The Committee is faced with a complex budgetary situation in FY 1987. Last year, before Gramm-Rudman, the Foreign Assistance Appropriations Act totalled $15.1 billion. The Gramm-Rudman legislation, supported by the Administration, decreased the funding level to $14.4 billion. The Administration's FY 1987 request was for $15.5 billion, not including the Export-Import Bank. (If the Export-Import Bank is included and scored the way the Congressional Budget Office says the Committee must, the Administration request is $17.2 billion.)

In the Congressional budget process, the House Budget Committee provided $11.6 billion for foreign assistance under this bill. The Senate Budget Committee provided $13.3 billion. The Budget Conference provided for $12.9 billion.

The Budget Resolution level represents a 9.7 percent cut in total funds available to the Committee from FY 1986 Gramm-Rudman levels. That number also represents a cut of approximately 16.1 percent from the FY 1987 budget request excluding the Export-Import Bank. Including the Bank request in these figures results in a cut of approximately 24 percent in the Administration request. The House Appropriations Committee 302(b) allocation for the Foreign Operations Subcommittee was basically identical to the Budget Resolution levels.

The Gramm-Rudman legislation further complicated the Committee's decisions by imposing new budgetary requirements. For the first time, the Committee in its 302(b) allocation received a credit ceiling allocation and an outlay allocation in addition to the regular budget authority allocation. The legislation also provided that if the Committee recommended levels exceeded either the budget authority or credit allocations that the bill could be barred from consideration in the House by any Member lodging a point-of-order.

The Committee is aware that if it were to exceed its outlay allocation, it would probably have to absorb an across-the-board cut on the House floor. The Committee is committed to not bringing a Foreign Assistance Bill to the House floor which exceeds the 302(b) allocations for either budget authority, outlays, or credit allocations. Table 3 shows the Committee 302(b) allocations:

TABLE 3.—FISCAL YEAR 1987 FOREIGN ASSISTANCE 302(b) ALLOCATIONS

[In millions of dollars]

Subcommittee	Budget authority	Outlays	Direct loans	Primary guarantees
Foreign Assistance:				
Discretionary	$12,484	$4,810	$5,696	$11,726
Mandatory	507	5,831	974	
Total	$12,991	$10,641	$6,670	$11,726

COMMITTEE RECOMMENDATION

The Committee formulated its recommendations as follows:

First, the Committee started with the 1986 Gramm-Rudman base for every program account. At the Administration's request, the Committee protected institutional accounts in order to avoid the mass firings which would have occurred from deep operating expense cuts. Operating expenses have been cut, but not as deeply as the across-the-board cut approach would have required.

Second, the Committee applied an across-the-board cut of 9.7 percent to every program account. This was the percent necessary to bring the total within the 302(b) budget authority allocation.

Third, the Committee discovered that the across-the-board cut resulted in a total which was approximately $267 million above the 302(b) credit allocation. In order to avoid point-of-order problems on the House floor, the Committee cut the credit items by the necessary amount.

Only two significantly large items were in the credit program which could be cut in order to reach the credit ceiling. One was a Congressional priority and one was an Administration priority, the Export-Import Bank being the former, and the Foreign Military Credit Sales (FMS) program being the latter. The Committee applied a 4.9 percent cut to both of these accounts. The FMS account was reduced by $220 million, the Bank was reduced by $47 million, below the levels that they would have been at if the Committee had simply applied the 9.7 percent cut across-the-board. Additionally, the credit ceiling required that the Committee cut the Export-Import Bank guaranteed loan program.

Fourth, the Committee then used the $267 million in budget authority freed up because of the credit cuts. The Committee used these funds to try to restore some Administration budget requests in some high-priority programs. The Committee eliminated the formula cut in the International Narcotics program and raised that program level up to the Administration request level. The Committee increased the Migration and Refugee Assistance account, and the Emergency Migration and Refugee Assistance Fund to the Administration request. The Committee also raised the Anti-terrorism program level to the requested amount. The Committee raised the Peace Corps funding to the authorized level, which is about $3 million above the Administration request. These actions resulted in approximately $113 million above the formula allocation being applied to these programs.

Next, the Committee had a problem in scoring deobligation/reobligation authority in the Agency for International Development (AID). The administration in AID has used "deob/reob" authority as a management tool in order to be able to stop projects in countries that aren't moving and then to move the money to projects that are working. In the past, the Committee had been able to estimate the cost of that authority at a rather low number, even though the actual cost was considerably higher. The Congressional Budget Office has indicated that if the Committee were going to allow AID to continue to maintain that flexibility, it had to score the authority accurately. That action cost the Committee $100 million.

Finally, the Committee provided for a third package of programs which received funding above the formula allocation. Last year the Committee funded the Child Survival Fund at $50 million, but took a portion out of the Health, Development Assistance Account, and a portion from transfers, so that the Fund had an effective spending rate of $50 million. This year the Committee did not take that money out of the Health, Development Assistance Account. Instead, the Committee simply funded the Child Survival Fund at a $50 million figure. The Committee also funded the Inter-American Foundation at $1.5 million above the formula allocation. The Committee provided additional funds to meet the request level and then further raised the amount in order to comply with an authorization committee request that the Committee provide additional assistance to Haiti. The Committee also raised the African Development Foundation by $525,000 in order to reach the authorization level and the Committee returned the Population, Development Assistance account, which under the formula would have been cut by 9.7 percent below Gramm-Rudman last year, to the 1986 Gramm-Rudman level of $239 million.

Fifth, and last, the Committee took $15 million, out of the Energy and Selected Development Activities account in AID and added that amount above the formula allocation for the Agriculture, Rural Development and Nutrition account under AID.

These actions left the Committee in compliance with the Gramm-Rudman requirements and the Budget Resolution requirements for budget authority and credit levels.

OUTLAY SITUATION

However, the Congressional Budget Office then provided a preliminary estimate of the outlay level of the Committee recommendations. CBO estimated that the recommendations would result in approximately $700 million in outlays above the 302(b) allocation.

If the Committee were going to retain earmarks for Israel, Egypt, Pakistan, and Ireland, as the Congress did in the previous year, then it would have to take approximately a further 38 percent across-the-board cut in every other program in 1987 budget authority.

Two approaches to the problem were considered: across-the-board cuts, and selective cuts in high outlay rate programs. The 38 percent additional across-the-board budget authority cut was rejected. It was clearly unfair to programs which have low outlay rates—in some cases between zero and ten percent in FY 1987.

The second approach, selective cuts, quickly focused on the only two large programs that spend out at fast enough rates to achieve any real savings on outlays. One of these programs is the Economic Support Fund. The other program is the Military Assistance Program. Both programs are Administration priorities. The Committee could have simply cut these items which spend out at a fast rate, and could have then used that resulting budget authority savings to increase accounts such as the international banks, which spend out at a very slow rate. That decision would have enabled the Committee, for this year, to recommend a higher number to the banks, but it would have increased future year problems by increasing mandatory outlay levels. The Committee rejected that option.

Third, the Committee could simply have cut ESF and MAP by a sufficient amount in budget authority such that outlays would decrease to meet the ceiling level without shifting the budget authority savings to other programs.

The Committee asked the Administration for their guidance on which approach they preferred. The Administration indicated that OMB does not necessarily agree with CBO's estimate of how much the bill is over on the outlay side. The Administration wanted to have some time to analyze the numbers to see whether or not they could arrive at a different understanding of what the outlay problem is. The Committee will work with the Administration on the outlay issue. If there is any adjustment that can be made that is responsible, the Committee will be happy to make any reasonable change that can be defended and is consistent with CBO scorekeeping.

The Committee, in order to meet the outlay allocation, and not further reduce individual accounts, has included an outlay limitation provision in the bill. This provision requires that outlays for foreign assistance not exceed $10,641,000,000 in total and $4,810,000,000 in discretionary outlay levels. So that the Committee does not find itself in conference in a position in which House priorities are the subject of negotiation but Senate priorities are not, the Committee stipulates that in applying this $10.6 billion outlay cap, the Administration will not be able to cut outlays for the Special Facility for Africa, for UNICEF, the UN Environment Program, the International Fund for Agricultural Development, the Child Survival Fund, American Schools and Hospitals Abroad, Migration and Refugee Assistance, and the Export-Import Bank.

These accounts represent, in the Committee's judgment, some of the most important accounts in the bill and they include accounts which in most cases the Administration reduced below last year's level in their 1987 request.

This means that the Administration has the authority, within budget authority limits, to allocate approximately $970.1 million in outlays among the unprotected programs. To fully fund these programs up to the recommended budget authority levels would require approximately $700 million more in outlays.

This situation will cause the Administration to make choices no less excrutiating than those that the Committee has already had to make.

The Committee is fully aware of the consequences of these decisions. It does not like them. But, individuals who paid attention to the hearings will recall that members of the Committee told the Secretary of State and virtually every witness that came before them that if the Committee was required to live under the Gramm-Rudman proposals, that by the time they earmarked what would undoubtedly be earmarked by the Committee, the Administration would probably be looking at a bill that provided for the Middle East programs plus $1 billion. While that is not precisely where the bill is today, that is roughly the outlay level that remains.

On the budget authority side the Committee recognizes that in the Economic Support Fund, once funds are allocated for Israel, Egypt, Pakistan, and Ireland, the total available for other countries will decrease approximately 32 percent. Similarly, the Committee recognized that in the Foreign Military Credit Sales program, after earmarks for Israel, Egypt, and Pakistan, the total available for other countries will decrease approximately 51 percent. These reductions will be greater if the budget outlay problem is not resolved.

The Committee does not believe that the funds recommended in this bill adequately meets the program needs for the U.S. foreign assistance program. However, unless the Congress and the Administration can find an institutionally agreed upon way to deal with the problem presented by Gramm-Rudman, the Committee has no choice but to present this kind of a bill to the House.

In summary, the budget authority in this bill has been evenly treated. The Committee recommendation, off the 1985 base, means that military account totals will have been cut 16 percent, the ESF account will have been cut 16 percent, and all developmental programs will have been cut 15 percent. That distribution is about as even handed as one can get.

INSUFFICIENT SUPPORT FOR FOREIGN ASSISTANCE

The Committee believes that due to budget pressures, insufficient funds are available for the Committee to be able to adequately deal with current international commitments of the United States—both those related to bilateral security agreements and those related to multilateral financial institutions. This shortage of resources also makes it extremely difficult for the United States to contribute sufficient funds aimed at resolving the critical long-term development needs of the poorest countries of the world. The Committee believes that this lack of resources draws into question the continuing commitment and the ability of the United States to play a major leadership role in many international economic, political, and security policy areas so long as Gramm-Rudman requires a deficit target of $144 billion, to be achieved without any adjustments in the nation's revenue base.

There appears to be a broad lack of Congressional support to funding for foreign assistance programs. This may be the result of positions and policies which to a large extent have alienated traditional supporters of foreign aid and which, at the same time, have failed to gain significant new support among those who have not supported foreign assistance programs in the past. Support for foreign assistance programs, even in the best of budgetary times, is weak. Many policies and actions of the Administration have weakened already soft support for foreign assistance programs within the Congress. These policies and actions include:

- Pursuing policies which are inconsistent, such as first working to decrease resources for multilateral financial institutions and now working to strengthen and expand those institutions.
- Consistently cutting the "investment portion" of the federal domestic budget from 21 cents on the dollar in 1980 to 11 cents on the dollar today . . . including cuts in funding for education, worker training, drug interdiction, scientific and medical research, highways, sewage treatment plants, community infrastructure, and cuts in funding for the day-to-day operations of government.

- Requesting large increases in foreign assistance programs with an almost exclusive emphasis on security assistance.

The negative atmosphere surrounding foreign aid has been further increased by recent questions about the corrupt use of foreign assistance funds by foreign governments and by the apparent inability of the United States government to fully account for the use of assistance dollars.

The Committee recognizes that it is largely unable to influence the existing negative attitudes about foreign assistance spending and has, therefore, proceeded with its responsibility to allocate the available funds within the constraints of Gramm-Rudman.

The Committee has been provided $12.991 billion in the House Budget Resolution. This level is approximately a 9.7 percent cut in budget authority below FY 1986 post sequestration levels.

While this cut is substantial, the Committee believes that positive international economic trends in the past year have helped the economic situations of most countries receiving foreign assistance. Indeed, in many individual cases, these economic changes are far greater than the decrease in funding which will occur due to cuts in the foreign assistance programs of the United States government.

These economic trends include a major decline in the cost of oil imports, and a decrease in international interest rates. These mitigating circumstances are discussed in greater detail later in the report.

The Committee also believes that the substantial growth which has occurred in foreign assistance funding overall since 1981 provides a buffer against the cuts which are now occurring.

TRENDS IN FOREIGN ASSISTANCE PROGRAM

Changes which have occurred in funding for foreign assistance since FY 1981 are illustrated by Table 4. This table shows that since FY 1981 total U.S. foreign assistance, excluding the Export-Import Bank, has increased from $8.9 billion to $15.5 billion in the FY 1987 request, a total increase of 70 percent.

In nominal terms these changes from 1981 have been substantial. Development assistance has increased 19 percent. Economic Support Funds have increased 95 percent. Military assistance has increased 111 percent.

During the same period, Development Assistance as a proportion of the total bill has decreased from 40 percent to 29 percent. Economic support funds have increased from 24 percent to 27 percent of the total. Military assistance has increased from 36 percent to 45 percent of the total. Security assistance funding has increased from 60 percent to 71 percent of the total.

TABLE 4.—U.S. FOREIGN ASSISTANCE

[In billions of dollars]

	Fiscal year 1981 actual		Fiscal year 1987 request		Percent change—1986 v. 1981
	Actual	Percent of total	Actual	Percent of total	
Development Assistance [1]	$3.6	40	$4.3	29	+19

TABLE 4.—U.S. FOREIGN ASSISTANCE—Continued

[In billions of dollars]

	Fiscal year 1981 actual		Fiscal year 1987 request		Percent change—1986 v. 1981
	Actual	Percent of total	Actual	Percent of total	
Security Assistance:					
Economic Support Fund	2.1	24	4.1	27	+95
Military Assistance	3.2	36	6.7	45	+111
Subtotal	5.3	60	10.8	71	+105
Grand Total [2]	8.9	100	15.5	100	+70

[1] Includes multi-lateral banks, international organizations, and all bi-lateral economic, assistance except the security related economic support fund.
[2] Does not include Export-Import Bank.

In addition to significant growth in the funding of the security assistance programs since 1981, the number of countries participating in these programs have also increased. Table 5 shows these figures for three of the security assistance programs.

The number of countries participating in the economic support fund has grown from 21 to 47 or by 124 percent. The number of countries participating in the Military assistance (grant) program has grown from 5 to 38 or 660 percent. The number of countries participating in the IMET program has grown from 63 to 97 or by 51 percent. The number of countries participating in the Foreign military credit sales (loan) program has remained stable, however, there has been considerable growth in concessional financing under this program.

TABLE 5.—U.S. FOREIGN SECURITY ASSISTANCE: SELECTED PROGRAMS

[Number of countries]

	Fiscal year 1981 actual		Fiscal year 1987 request		Percent changes 1987 v. 1981
	Actual	Percent of total	Actual	Percent of total	
Economic support fund	21	24	47	26	+124
Military Assistance Program	5	5	38	21	+660
International military education and training	63	71	97	53	+51
Total	89	100	182	100	+104

Further illustrations of the substantial growth in funding for some areas are illustrated by Tables 6 and 7. Table 6 shows that funding for "base rights" countries has grown 137 percent from 1981 to the 1987 request. Growth in the Military assistance grant program for these countries has grown 325 percent, while growth in the foreign military credit sales program for these countries has been 171 percent over the same period. Concessional foreign military credits have grown from zero in 1981 to $700.7 million in 1986.

Table 7 shows that funding for five Central American countries has grown 470 percent from 1981 to the 1987 request. The highest growth in assistance to these countries is in the Economic Support Fund which has grown 1187 percent during this period. The Military Assistance grant program has grown 880 percent, while Development Assistance has grown 134 percent, far slower than the security assistance.

The Committee in summary believes that the lack of support for foreign assistance directly flows from deep domestic budget cuts, recent substantial growth in foreign assistance programs, controversial foreign policy decisions, a strong trend toward increased security assistance, without regard to the necessity to make spending changes in an era of spending austerity, and the federal deficit growth which finally resulted in Gramm-Rudman legislation.

TABLE 6.—FUNDING GROWTH FOR BASE RIGHTS COUNTRIES SINCE 1981

[Dollars in millions]

Country	Total	Percent increase over 1981	D.A.	ESF	Percent increase over 1981	MAP	Percent increase over 1981	FMS	Percent increase over 1981	IMET
1981 actual:										
Spain	133.2		38.5	262.0		81.1		596.6		7.7
Portugal	77.8			25.0		51.0				1.8
Greece	178.1					.4		176.6		1.1
Turkey	452.7			200.0		1.1		250.0		1.6
Philippines	144.1		38.5	30.0		25.0		50.0		.6
Total	985.9		38.5	262.0		81.1		596.6		7.7
1986 estimate:										
Spain	396.6	198		11.5				382.8		2.3
Portugal	189.0	143		76.6		67.0		43.1		2.3
Greece	431.8	142						430.6		1.2
Turkey	738.1	63		119.6		205.8		409.5		3.2
Philippines	193.3	34	18.9	119.6		38.3		14.4		2.1
Total	1,948.8	98	18.9	327.3	25	311.1	284	1,280.4	115	11.1
1987 request:										
Spain	415.0	212		12.0				400.0		3.0
Portugal	224.5	189		80.0		75.0		66.5		3.0
Greece	501.8	182						500.0		1.8
Turkey	974.0	116		150.0		220.0		600.0		4.0
Philippines	220.8	53	23.0	95.0		50.0		50.0		2.8
Total	2,336.1	137	23.0	337.0	29	345.0	325	1,616.5	171	14.6

Philippines $14.4m FMSC 1986; $50m FMSC 1987.
Turkey $330.0m FMSC 1986; $455m FMSC 1987.
Greece $347.0m FMSC 1986.
Portugal $9.6m FMSC 1986; $45m FMSC 1987.
Concessional FMS: 1981 Total = 0. 1986 Total = $700.7m. 1987 Request = $550.0m.

TABLE 7.—FUNDING GROWTH FOR CENTRAL AMERICAN COUNTRIES SINCE 1981

[Dollars in millions]

Country	Total	Percent increase over 1981	D.A.	Percent increase over 1981	ESF	Percent increase over 1981	MAP	Percent increase over 1981	FMS	IMET	Percent increase over 1981
1981 actual:											
Costa Rica	13.235		13.2							0.035	
El Salvador	114.192		33.8		44.9		25.0		10.0	.492	
Guatemala	11.2		11.2								
Honduras	37.035		28.1						8.4	.535	
Panama	8.978		8.6							.378	
Subtotal	184.64		94.9		44.9		25.0		18.4	1.44	
Latin American (total)	474.8		271.8		143.4		25.0		31.3	3.3	
1986:											
Costa Rica	137.191	1,438	14.0		120.6		2.4			.191	
El Salvador	384.935	237	81.1		177.0		125.4			1.435	

TABLE 7.—FUNDING GROWTH FOR CENTRAL AMERICAN COUNTRIES SINCE 1981—Continued

[Dollars in millions]

Country	Total	Percent increase over 1981	D.A.	Percent increase over 1981	ESF	Percent increase over 1981	MAP	Percent increase over 1981	FMS	IMET	Percent increase over 1981
Guatemala	91.187	714	38.2	...	47.9	...	4.8	...	...	.287	...
Honduras	169.453	358	48.5	...	61.2	...	58.7	...	...	1.053	...
Panama	27.274	204	17.2	...	5.7	...	3.8	...	...	.574	...
Subtotal	810.04	339	199.0	110	412.4	818	195.1	680	...	3.54	146
Latin American (total)	1,381.475	191	474.9	75	658.5	...	217.5	...	17.2	13.375	...
1987 estimates:											
Costa Rica	172.55	...	19.2	...	150.0	...	3.1	...	...	.250	...
El Salvador	461.30	...	85.0	...	240.0	...	134.7	...	...	1.600	...
Guatemala	123.70	...	43.2	...	70.0	...	10.0	...	...	.500	...
Honduras	235.20	...	56.4	...	90.0	...	87.5	...	...	1.300	...
Panama	60.65	...	16.1	...	28.0	...	9.8	...	4.0	.750	...
Subtotal	1,053.40	470	221.9	134	578.0	1,187	245.1	880	4.0	4.4	205
Latin American (total)	1,839.76	...	538.1	...	945.0	...	317.0	...	22.0	17.660	...

OIL PRICE AND INTEREST RATE DECLINES HELP MITIGATE CUTS IN FOREIGN ASSISTANCE

While the Committee is deeply concerned about the necessity of cutting the foreign assistance programs due to budgetary constraints, the Committee believes that certain international economic trends will help to mitigate these reductions for many recipient countries. These trends while not directed at the solution of specific social, economic, military, developmental or political problems must be recognized as having a major positive effect on many third world countries which receive foreign aid. Indeed, these positive general effects in many individual countries are far more important than the marginal effect of U.S. foreign assistance programs.

The Department of Treasury estimated the effects of the "Strengthening Global Economy" in March 1986 as follows:

- Declining oil prices will save oil-importing developing nations some $14 billion annually.
- The sharp decline in interest rates—nearly 3 percentage points since early 1985—will reduce annual debt service payments for all less developed countries by about $12 billion, freeing up these resources for productive use elsewhere in the debtor economies.

The country-by-country effect of declining oil prices, declining international interest rates, and other positive trends is hard to accurately quantify. The most current figures are often not publicly available.

Further, not all of the effects of these changes are positive. Countries which export oil, while benefitting from lower interest rates on their debt, are experiencing large revenue declines. Countries which depend on worker remittances, and contractor and construction company fees from the oil producing areas are experiencing revenue declines. International terrorism has slowed revenues earned from tourism in some areas. Most international commodity prices continue to be very weak. Countries which have invested in developing relatively expensive alternatives to imported oil will now find those investments unprofitable compared to cheap oil. Nevertheless, despite the complexity of this international economic situation, it is clear that overall it has positive benefits for most developing Third World countries which are recipients of U.S. foreign assistance.

In order to illustrate country-by-country "winners" and "losers" in this economic situation, the Committee requested that the Congressional Research Service focus on selected recipients of U.S. foreign assistance. CRS reported on the effect of oil price declines as follows:

A drop in oil prices hurts oil exporters, but benefits oil importers. The reason is that those who are oil exporters now cannot obtain as many goods and services for the oil they produce; importers have to sacrifice fewer goods and services. Thus the former wind up with less available to consume, the latter with more.

Tables 8 and 9 show trade in crude petroleum for the selected aid recipients in 1983, the most recent year for which data were available for a large number of the countries. Table 8 lists the countries from the largest net importer to largest net exporter. Table 9 shows these countries listed in groupings and further shows estimated financial effects from their oil imports or exports.

Most of these countries are net oil importers and have realized benefits from the drop in oil prices. Spain was the largest net importer, with net imports of 42 million metric tons. Table 9 estimates that Spain's oil import bill decreased approximately $4.7 billion. Korea was the second largest importer, with net imports of 25 million metric tons. Table 9 estimates that Korea's oil import bill decreased $2.9 billion. Turkey, Greece, India, the Philippines and Portugal followed in order with corresponding estimated savings of $1.6 billions, $1.4 billion, $1.3 billion, $936 million and $928 million.

A few countries were net exporters and have lost export earnings. The largest net exporter by far was Indonesia, with net exports of 52 million metric tons. Table 9 estimates that Indonesia lost $5.9 billion in oil revenues. Egypt, Ecuador, Tunisia and Peru were other aid recipient countries which lost revenues, at corresponding levels of $1 billion, $802 million, $437 million, and $114 million.

Base rights countries were all large net importers and all received major benefits from declining oil prices. Interestingly these countries also were large holders of variable rate debt and also have benefited from substantial decreases in international interest rates.

TABLE 9.—*1983 net trade in crude petroleum for selected recipients of U.S. aid*

[Thousands of metric tons]

Country	*Trade Balance* [1]
Net importers:	
Spain	−41,809
Korea	−25,442
Turkey	−14,162
Greece	−12,079
India	−11,250
Philippines	−8,247

Country	*Trade Balance* [1]
Portugal	−8,178
Israel	−7,326
Thailand	−7,200
Morocco	−4,384
Pakistan	−4,314
Jordan	−2,540
Kenya	−1,940
Panana	−1,850
Colombia	−1,800
Dominican Republic	−1,625
Sri Lanka	−1,491
Sudan	−1,140
Bangladesh	−1,030
Jamaica	−980
Zambia	−700
Liberia	−655
El Salvador	−600
Mozambique	−580
Costa Rica	−500
Somalia	−395
Honduras	−346
Senegal	−292
Guatemala	−284
Bolivia	0
Net exporters:	
Zaire	690
Peru	1,000
Tunisia	3,848
Ecuador	7,067
Egypt	9,237
Indonesia	51,683

[1] Exports minus imports.

[2] No date was available for Haiti, Chad, Zimbabwe, Mali, Niger, Botswana, Belize.

Source: Energy Statistics Yearbook. United Nations. 1985.

TABLE 9.—1983 TRADE IN CRUDE PETROLEUM FOR SELECTED RECEIPTS OF U.S. AID, BY COUNTRY GROUPING

	Trade balance [1] (thousands of metric tons)	Trade balance (million barrels)	Decline in export revenue (+)/import payments of (−) (million dollars) [3]
Base rights:			
Spain	−41,809	−306.5	−4,744.0
Turkey	−14,162	−103.8	−1,606.9
Greece	−12,079	−88.5	−935.8
Philippines	−8,247	−60.5	−935.8
Portugal	−8,178	−59.9	−927.9
Caribbean/Central America/South America:			
Panama	−1,850	−13.6	−209.9
Colombia	−1,800	13.2	−204.2
Dominican Republic	−1,625	−11.9	−184.4
Jamaica	−980	−7.2	−111.2
El Salvador	−600	−4.4	−68.1
Costa Rica	−500	−3.7	−56.7
Honduras	−346	−2.5	−39.3
Guatemala	−284	−2.1	−32.2
Bolivia	0	0.0	0.0
Peru	1,000	7.3	113.5
Ecuador	7,067	51.8	801.9
Haiti	(2)	(2)	(2)
Belize	(2)	(2)	(2)
Middle East:			
Israel	−7,326	−53.7	−831.3
Morocco	−4,384	−32.1	−497.4

TABLE 9.—1983 TRADE IN CRUDE PETROLEUM FOR SELECTED RECEIPTS OF U.S. AID, BY COUNTRY GROUPING—Continued

	Trade balance [1] (thousands of metric tons)	Trade balance (million barrels)	Decline in export revenue (+)/import payments of (−) (million dollars) [3]
Jordan	−2,540	−18.6	−288.2
Tunisia	3,848	28.2	436.6
Egypt	9,237	67.7	1,048.1
Africa:			
Kenya	−1,940	−14.2	−220.1
Sudan	−1,140	−8.4	−129.4
Zambia	−700	−5.1	−79.4
Liberia	−655	−4.8	−74.3
Mozambique	−580	−4.3	−65.8
Somalia	−395	−2.9	−44.8
Senegal	−292	−2.1	−33.1
Zaire	690	5.1	78.3
Niger	(2)	(2)	(2)
Botswana	(2)	(2)	(2)
Chad	(2)	(2)	(2)
Zimbabwe	(2)	(2)	(2)
Mali	(2)	(2)	(2)
Asia:			
Korea	−25,442	−186.2	−2,886.9
India	−11,250	−82.5	−1,276.5
Thailand	−7,500	−52.8	−817.0
Pakistan	−4,314	−31.6	−489.5
Sri Lanka	−1,491	−10.9	−169.2
Bangladesh	−1,030	−7.5	−116.9
Indonesia	61,683	378.8	5,864.4
Total	−89,614	−656.9	−10,168.4

[1] Exports minus imports. A negative figure shows net imports; a positive figure shows net exports.

[2] Not available.

[3] Column 3 conversion factor provided by telephone by U.S. Department of Energy, National Energy Information Center (NEIC). The $15.48/barrel used to calculate column 3 is the decline in the average world price of crude oil from the first week of June 1985 to the first week of June 1986, as provided by telephone by NEIC.

Source: Energy Statistics Yearbook. United Nations. 1985.

CRS reported on the effect of a decline in interest rates as follows:

Benefits derived from a decline in interest rates are dependent upon the level of variable rate debt. Variable rate debt will carry lower interest charges as rates decline, as opposed to fixed rate debt that has interest charges already established, which will not decline. Thus, in general, the larger a country's variable rate debt, the greater the benefit from a decline in interest rates, unless the country refinances or reschedules its outstanding loans. Countries that have a high level of variable rate debt tend to be more economically advanced developing countries that can qualify for market loans, which are variable rate loans. The least developed countries have difficulty qualifying for commercial loans and must depend on official loans, which generally have low-interest rates.

Table 10 ranks aid recipient countries by percent of variable rate debt. Table 11 shows that variable rate debt in millions of dollars and further estimates the positive value of a 3-percent decline in interest rates for these countries given their debt situations. This estimate probably underestimates savings inasmuch as Treasury Department officials in late May, 1987 stated "If we compare current 6 month LIBOR rates to the average for 1984, and focus on debt owed commercial banks, the savings are even more dramatic (than 3 percent)—a decline of nearly 5 percentage points and a 45 percent savings in annual interest payments to commercial banks."

Table 11 shows that estimated annual savings from a 3 percent decrease in interest rates are largest for Korea $346 million, Greece $196 million, Indonesia $162 million, Ecuador $142 million, Philippines $137 million, Turkey $135 million and Portugal $100 million. This group includes four of the five major base rights countries receiving foreign assistance from the United States.

In total, the tables show that the benefit from lower interest rates is varied, because the countries show a wide range in dependence on variable rate loans. Ecuador and Greece are major market borrowers who have over two-thirds of their debt as variable rate. Two more countries, Panama and Costa Rica, have over 50 percent variable rate debt. At the other end of the spectrum, fourteen countries have less than 10 percent variable rate debt, and of these, two (Chad and Somalia) have no variable rate debt at all.

TABLE 10.—*Percent variable rate debt in 1984 for selected recipients of U.S. aid*

Country:	*Percent variable rate*
Ecuador	71.5
Greece	69.0
Panama	59.5
Costa Rica	56.9
Korea	46.8
Colombia	42.7
Philippines	41.0
Peru	40.6
Zimbabwe	40.1
Dominican Republic	36.1
Portugal	31.5
Morocco	31.4
Thailand	29.4
Bolivia	29.0
Turkey	28.5
Indonesia	23.6
Jamaica	21.9
Guatemala	20.3
Zambia	17.4
Honduras	16.8
Liberia	16.7
Niger	16.1
El Salvador	16.0
Tunisia	15.5
Sri Lanka	14.7
Belize	14.2
Botswana	11.9
Zaire	8.8
Jordon	8.2
India	7.9
Senegal	7.4
Pakistan	6.8
Kenya	6.6
Haiti	3.1
Sudan	2.9
Israel	2.7
Egypt	1.7
Mali	0.3
Bangladesh	0.1
Chad	0
Somalia	0

Mozambique	(1)
Spain	(1)

[1] Data not available.

Source: World Debt Tables. The World Bank. 1985–86 edition.

TABLE 11.—1984 MEASURES OF DEBT, TOTAL AND VARIABLE RATE, FOR SELECTED RECIPIENTS OF U.S. AID, BY COUNTRY GROUPING

	Variable rate debt (millions of dollars)	3 percent of variable rate debt (millions of dollars)
Base rights:		
Greece	6,524.5	195.735
Philippines	4,582.0	137.461
Portugal	3,333.6	100.007
Spain	(1)	(1)
Turkey	4,495.6	134.868
Caribbean/Central America/South America:		
Ecuador	195.735	142.222
Panama	1,839.0	55.171
Costa Rica	1,923.4	57.702
Colombia	3,407.6	102.229
Peru	3,988.8	119.664
Bolivia	929.0	27.870
Jamaica	476.3	14.288
Guatemala	307.3	9.220
Honduras	309.2	9.277
El Salvador	222.0	6.661
Belize	9.3	.279
Haiti	15.3	.459
Middle East:		
Morocco	3,193.1	95.794
Tunisia	574.6	17.239
Jordan	191.6	5.747
Israel	416.2	12.486
Egypt	268.7	8.062
Africa:		
Zimbabwe	579.8	17.393
Zambia	483.5	14.505
Liberia	126.4	3.791
Niger	109.1	3.274
Botswana	32.9	.986
Zaire	359.4	10.781
Senegal	115.1	3.452
Kenya	173.8	5.214
Sudan	164.1	4.923
Mali	2.9	.086
Somalia	0	0
Chad	0	0
Mozambique	(1)	(2)
Asia:		
Korea	11,532.5	345.975
Thailand	2,224.9	66.748
Indonesia	5,400.3	162.010
Sri Lanka	355.8	10.674
India	1,769.8	53.095
Pakistan	676.8	20.304
Bangladesh	5.2	.155

[1] Data not available.

Source: World Debt Tables. The World Bank. 1985–86 edition.

CRS reported on the effect of depreciation of the dollar as follows:

Since February 1985, the dollar has depreciated substantially against the currencies of the major European countries and Japan. The change in the dollar's value relative to other currencies, including the currencies of the selected aid countries, has been mixed. For example, since February 1985, the dollar has depreciated 18 percent in real terms against the currency of Egypt, appreciated 5 percent in real terms against the currency of South Korea, and appreciated 31 percent in real terms against the currency of Colombia. When the dollar depreciates against the currency of another country, this means that the real buying power or terms of trade for the other country improves. The other country can buy more goods from the United States, priced in dollars, with a given sacrifice of output.

ITEMS OF SPECIAL INTEREST

The Committee has provided the full request in support of the Camp David Accords by earmarking funds for Israel and Egypt. The Committee has also earmarked requested funds for Pakistan. Second, the Committee has largely protected programs for children from cuts by funding UNICEF at the FY 1986 Continuing Resolution level of $51,080,000 and by funding the Child Survival Fund at $50,000,000. The Committee also has earmarked funds for the Vitamin A deficiency program. Third, the Committee has provided special assistance for long-term development in Africa by funding the Special Facility for Sub-Saharan Africa of the World Bank at $64.8 million. The Administration requested no funds for this important institution. The Committee has also funded the African Development Foundation at its authorized level, has provided for the United Nations Development Program's Trust Fund to Combat Poverty and Hunger in Africa despite no Administration request, and has provided for the IFAD Special Program for Sub-Saharan Africa.

The Committee has also provided special emphasis for the anti-terrorism assistance program, the migration and refugee assistance program, and the international narcotics program by funding these programs at the request level. The Committee has included several provisions as part of a anti-narcotics program. Also, because of strong bipartisan support, the Committee has funded the Peace Corps at the authorized level, several million dollars above the request level.

Finally, the Committee again has provided substantial assistance for the Export-Import Bank despite no request for the direct loan program from the Administration.

CHILD SURVIVAL ACTIVITIES

The issue of children's health in developing countries is a matter of deep concern to the Committee.

One set of statistics on the state of health of third world children depicts the tragic situation that exists. In testimony presented before the Committee, it was stated that every year in the developing world three and one half million children die and a comparable number are permanently disabled by six major childhood diseases—whooping cough, diphtheria, tetanus, measles, polio, and tuberculosis. This, despite the fact that vaccines to prevent these six diseases which kill and cripple children have been available for years.

According to testimony, this means that every minute of everyday, 8 children die and 10 more are handicapped from the effects of immunizable disease.

But there are hopeful facts as well. It has also been estimated that last year alone 500,000 child deaths were averted because of the aggressive and strategic application of child survival activities such as oral rehydration therapy and the increased coverage of immunization programs.

The Committee believes that programs benefitting children are of particular importance and are therefore deserving of special support. Although major reductions have been made to most accounts in this bill, the Committee feels that programs for children require additional attention, and they have not received reductions for FY 1987.

The Committee has recommended funding in the amount of $50 million for the "Child Survival Fund" which focuses its programs on the immediate short term survival needs of children in many of the poorest or disaster afflicted areas of the world.

The Committee has also provided $51 million for UNICEF. The Administration request for UNICEF was for $34.2 million, a $22 million reduction from the FY 1986 level. The Committee is in full support of childrens programs carried out by UNICEF and fails to understand why the Administration for the past two years has proposed major reductions in the program.

LONG-TERM AFRICAN DEVELOPMENT ASSISTANCE

The Committee expresses its deep concern over the poor long-term development prospects for much of Africa. The major burden of the responsibility for the solution of current economic and sociopolitical problems which these countries face rests with their governments.

The debt burdens and trade deficits facing many African countries are particularly serious. On average, upwards of 30 cents on every dollar earned from exports must be applied toward interest on debt.

More than 40 percent of Africans subsist on lands which are less productive agriculturally than they were a generation ago. Twenty nine million tons of grain had to be imported to the continent during 1985.

The various donors to Africa have exacerbated certain problems by their lack of coordination, dispensing conflicting advice, and otherwise inconsistent approaches and policies.

Western governments and private donors can take pride, however, in their quick and largely effective response to the famine and refugee situations in eastern Africa. The United States should receive much of the credit.

The Committee has serious misgivings, however, about Administration priorities for long-term assistance to Africa. Bilateral development assistance and multilateral lending programs have consistently taken a back seat to security (ESF) and military assistance.

Governments of many of the most affected African countries have begun to come to grips with the seriousness of their plight and are instituting necessary economic reforms and making other hard choices.

In view of the large deficit it faces, the United States must make some hard choices, as well. The current budgetary environment precludes major increases in U.S. aid to Africa. However, the U.S. should now look to a significant reorientation of its foreign assistance to Africa by shifting resources from military and ESF accounts to more economic development assistance.

ANTI-TERRORISM POLICY

The Committee continues to be concerned at terrorist activities that continue to occur throughout the world. The Committee has fully funded, the President's FY 1987 request for anti-terrorism programs, and directs the State Department to further strengthen its anti-terrorism program efforts. Although Congress provided increased funding for the Anti-terrorism program during the past two years, the program only appears to be now moving into full operation. In light of the worldwide terrorist threat, the Committee feels that major steps should be taken to accelerate the programs offered through anti-terrorism funding.

The Committee reiterates the concern raised last year that certain foreign governments have been unwilling to take appropriate measures in order to secure their airports against potential terrorist activities. Last year Congress proposed, and the President signed into law specific legislation regarding airport security. The Committee calls for strengthening of efforts to carry out the requirements of this legislation and notification to the Appropriations Committees of any difficulties the United States is finding in cooperation with other nations concerning the airport security legislation.

Last year the Committee recommended that the President take steps to sponsor an international conference on terrorism. Terrorism is an international problem, and the Committee is unhappy that the Administration has not followed through on the recommendation. In order to combat and prevent terrorist activities it is necessary to have full international coordination and planning on anti-terrorism efforts. The Committee expects the Administration to move forward on better international coordination efforts to include an international conference.

HOSTAGES IN LEBANON

The Committee is pleased about the recent release of Father Lawrence Jeuco. The Committee calls on the Administration to accelerate efforts to locate and release the remaining U.S. hostages held in Lebanon. Although the Committee knows that the United States is making attempts to release the hostages, there is a general frustration at the lack of progress in obtaining the release of the remaining hostages.

The Administration is to keep the Committee informed on what steps are being taken and what progress is being made on the hostage issue.

INTERNATIONAL NARCOTICS CONTROL

The Committee is concerned over the continuing increase in international illicit drug production and the limited progress being made in U.S. programs for illicit drug interdiction and eradication. This concern is heightened by the fact that some of the larger producers of illicit drugs are in countries that are receiving U.S. foreign assistance.

The Committee heard testimony from the Department of State this year that progress is being made in eradication of drugs in countries receiving U.S. assistance. However, to date this progress has had little or no effect on the amount of illicit drugs entering the United States. The following chart shows the difficulty involved in making real progress in illicit coca drug control:

COCA PRODUCTION AND ERADICATION

[Hectares]

Country	1984 cultivated	1984 eradicated	1985 cultivated	1985 eradicated
Bolivia	30,254	0	34,250	30
Colombia	17,000	2,400	15,500	2,000
Ecuador	2,000	0	2,886	464
Peru	100,000	3,134	100,000	4,823

The Committee notes that at least some progress is being made in Colombia, Peru and Ecuador in eradicating coca. Bolivia for the first time has enacted laws limiting coca cultivation. However, the efforts to date are only a small step forward and the program needs to proceed at an accelerated level.

The Committee feels that the State Department needs to place increased emphasis on interdiction efforts related to stopping illegal drug processing laboratories. In the past, the U.S. program has focused heavily on increasing eradication programs. Now, the Committee believes that it is time to focus on programs to close processing laboratories. The Committee has included recommendations below on a plan of action for eliminating processing labs and additional aircraft to help in both eradication and interdiction efforts.

The Committee has taken several steps to do what it can to strengthen the narcotics control program:

First, the International Narcotics Control program has been fully funded at the Administration's FY 1987 request level of $65,445,000. The recommended funding for FY 1987 represents an increase of $10,390,000 over the adjusted FY 1986 level.

Second, the Committee has earmarked $10 million in military assistance funds to be used for Narcotics Control Aircraft. The State Department has indicated that one of the greatest problems they face in expanding narcotics control efforts is the availability of aircraft to reach both cultivation areas and processing laboratories. The Committee feels that the threat to the United States caused by illicit drug production is equal to or greater than most security threats faced by U.S. aid recipients and that the use of military assistance funds is appropriate for this purpose.

Third, the Committee has provided $20 million in Economic Support Funds that the Administration can use, with congressional notification, to provide additional assistance to countries making progress in drug eradication and interdiction. This provides positive encouragement to countries making serious progress in drug eradication and interdiction.

Fourth, the Committee has included a new general provision that permits the transfer of funds that cannot be used by countries failing to take adequate steps to halt illicit drug production or trafficking to countries which have met their illicit drug eradication targets or have otherwise taken significant steps to halt illicit drug production or trafficking. The provision has been added as a positive action toward countries that are making progress on drug control.

Fifth, the Committee endorses steps taken by the authorizing committees last year to make available military assistance funds to provide defensive arming for aircraft used in narcotics control and eradication. Authorization now is available within the military assistance account to use up to $1 million to arm helicopters. The Committee feels that if it is necessary to provide defensive arming of helicopters in order to decrease cultivation and processing of illicit drugs, then FY 1987 military assistance funds should be used for that purpose.

Sixth, the Committee directs the State Department to prepare a plan of action for expanding its interdiction efforts in regard to processing laboratories. The elimination of processing labs is an essential part of illicit drug control efforts, and the Committee wants the Department to expand its emphasis on processing lab interdiction. The Department is to submit its plan of action by February 1, 1987.

Seventh, the Committee directs the State Department to annually prepare an analysis of the cultivation and eradication of illicit drugs that shows the progress being made in countries receiving U.S. assistance. The analysis shall also include a country summary that compares targets for cultivation and eradication control with actual results. This analysis also is to be submitted to the Committee by February 1, 1987.

Finally, the Committee has retained a general provision included in last year's bill which withholds 50 percent of the funds provided to Peru and Jamaica until the President has determined and reported that: (1) these countries are sufficiently responsive to U.S. Government concerns on drug control, and (2) that the added expenditure of the funds is in the national interest of the United States.

The Committee has also modified last year's general provision concerning Bolivia. The revised provision requires that funds for Bolivia be released in accordance with provisions included in the 1985 Foreign Assistance authorization. This requires that 50 percent of the economic support funds and military assistance and training funds be released after meeting eradication targets set through a 1986 agreement between the United States and Bolivia.

The Committee supports the joint U.S.-Bolivia action against illicit drug labs in Bolivia, and encourages Bolivia to continue its efforts to crack down on illicit drug problems. The positive action taken by Bolivia should be taken under consideration in determining funding for Bolivia during FY 1987.

PREVENTING CORRUPTION AND IMPROVING ACCOUNTABILITY IN FOREIGN ASSISTANCE PROGRAMS—ESF SEPARATE ACCOUNTS

The Committee is concerned about repeated allegations of the theft, corruption, and abuse of foreign assistance program funds. In the past year alone, reports have been circulating about reported abuses in the Philippines, Haiti, and Zaire. Periodically, reports have also surfaced alleging abuses in Indonesia, El Salvador, and other countries. However, these reports are seldom methodically investigated in order to make factual findings.

The Committee believes that it is the responsibility of the United States government to be able to ensure that tax dollars spent on foreign assistance are not siphoned off or used for inappropriate activities. Unfortunately, program control and accountability is limited in some areas. The Government Accounting Office has stated generally that economic support fund cash transfers to foreign governments are commingled with other funds, thus losing their identity. GAO in its recent report on the Philippines stated "We did not determine the disposition or use of ESF dollar transfers because the funds were commingled with other receipts in a general fund of the Government of the Philippines Treasury."

In order to address this problem, the Committee has required that ESF cash transfers to countries receiving in excess of $5 million in cash transfers be maintained in separate bank accounts. The Committee previously mandated a separate ESF account in El Salvador in response to reported problems. This approach seems to have worked. The Committee strongly believes that all ESF dollar cash transfers and generated local currencies should be easily trackable and should not be commingled with other funds.

ENVIRONMENTAL PRIORITIES

The Committee continues to recognize that the policy decisions of international agencies funded in the bill directly and indirectly affect major world environmental change.

Recent events of famine, drought, desertification, chemical contamination and deforestation in Asia, Latin America and Africa indicate that some development strategies have proven both economically costly and ineffective in achieving improvement of the social and economic conditions of people.

As such, the Committee made a series of recommendations and also added general provisions to the bill last year concerning the need for substantial improvements in environmental and natural resources management. While pleased with the increased attention given to a number of important issues, and a greatly improved dialogue since then, the Committee continues to be concerned that its recommendations have not yet resulted in the major policy reforms it is hoping for.

MULTILATERAL DEVELOPMENT BANKS

Of major concern is the need for a number of environmental and natural resources reforms at the multilateral lending institutions. Although some of the regional banks have begun to initiate reform actions, the Committee is disturbed by considerable new evidence that these institutions are continuing to finance large-scale, ecologically and culturally disruptive projects without adequate consideration of the alternatives that may be environmentally more beneficial and, in some cases, economically less risky.

The Committee is especially concerned about the impacts of large-scale water projects and agricultural resettlement schemes in tropical forest regions inhabited by indigenous peoples. Neither borrower nor donor nations can afford to invest large amounts on failure-prone colonization projects in tropical forest areas with generally poor soils.

It would seem ill-advised to continue funding for such projects, if those projects are going to result in massive deforestation and public health problems. The Committee would call to the attention of the Treasury Department that environmental, socio-cultural, and economic risks associated with resettlement projects continue, as evidenced by testimony of environmental groups concerning the Indonesia Transmigration Program.

The Committee has included a general provision in the bill which reiterates and strengthens a number of recommendations in last year's measure and adds several new provisions. The Secretary of the Treasury is again asked to instruct the U.S. executive directors in the banks to promote measures which will bring about management, staffing and program reforms in order to better incorporate environmental concerns into their activities.

This year's provisions would also strengthen requirements concerning the need of the banks to add ecologically trained staff to undertake systematic environmental review of projects as well as additional directives concerning measures to promote greater participation by non-governmental groups affected and concerned by multilateral development bank projects and programs.

The provisions would also promote management changes in the banks that will create career and other institutional incentives for all professional staff to incorporate environmental concerns into their project and country programming activities.

EARLY WARNING SYSTEM

Both the Secretary of the Treasury and the Administrator of the Agency for International Development, testified as to the existence of an "early warning system," whereby U.S. AID missions are being used to flag potentially harmful bank projects in advance of actual development. Yet, the Committee was concerned to hear from environmental groups that a detailed analysis from the AID mission in Botswana, which severely criticized a third proposed World Bank financed livestock project in that country did not result in any significant initiatives on the part of the Treasury or State Department to secure substantial changes.

To remedy these deficiencies, the Committee has added a general provision directing that the Agency for International Development establish an improved "early warning system" to flag projects with adverse impacts on the environment and indigenous people at a stage when changes can still be made. Appropriate AID posts would prepare reports analyzing the economic viability of the project and any environmental problems sufficiently in advance of the project's approval to allow necessary changes. In the event that adverse impacts are identified, the relevant post would be instructed to discuss alternatives to eliminate or mitigate environmental problems.,

In addition, the provision would require that AID compile a categorized list of projects that are likely to have adverse impacts on the environment and indigenous peoples. In this regard, the Committee notes the very extensive list of potentially disruptive projects developed in 1985 by the OECD.

AID AND BIOLOGICAL DIVERSITY

The Committee notes with interest House passage of legislation amending the Foreign Assistance Act to strengthen the Agency for International Development program to preserve tropical forests and promote biological diversity.

Rapid elimination of tropical forests is thought to cause many problems including floods, loss of genetic resources, siltation of lakes and irrigation systems, and destabilization of the earth's climate.

Maintaining biological diversity is believed to be critical to developing countries' long-run capability to meet food and other basic needs.

The Committee is concerned that AID's recent "Draft Action Plan" for implementing existing provisions of the Foreign Assistance Act relating to biological diversity may be inadequate and hopes that changes in the law will promote greater efforts in this regard.

PESTICIDES AND OTHER CHEMICALS

The Committee report last year noted with satisfaction that AID was working with the World Bank to establish policies with respect to the proper use of pesticides, but that in general the AID commodity import program (CIP) was deficient for failing to include policies for the use of all other industrial chemicals it makes available. The Committee recommended that AID establish a Committee on Health and the Environment to examine existing opportunities for assisting countries in the proper use of industrial chemicals and processes.

In testimony this year, it became apparent that AID has not only failed to examine chemical usage under CIP as suggested by the Committee, but has actually been considering proposed guidelines which would significantly loosen the critieria for use of the CIP for pesticide purchases. The Committee is convinced that CIP support for pesticide purchases is appropriate only in very rare unforeseen circumstances, and then only by direct order of the Administrator as required by existing regulations.

In addition, it is anticipated that AID will make a substantial commitment to specific projects which promote improved pesticide practices, devoting significant resources to developing integrated pest management strategies.

Finally, a general provision is added this year requiring establishment of an AID Committee on Health and the Environment as recommended last year.

UNITED NATIONS ENVIRONMENT PROGRAM (UNEP)

The Committee continues to view the efforts of UNEP as essential to a global understanding of the environment. The Regional Seas, Ozone, and Desertification projects are good examples of the critical issues being addressed by UNEP.

In addition, the Committee encourages continuation of the World Industry Conference on Environmental Management, an important private sector initiative providing business and industry worldwide with a forum to promote sustainable development strategies in Third World countries.

Third World Debt

The Committee notes that the Administration put forward the Baker Plan as an effort to address the Third World debt situation. The plan basically emphasizes the necessity of growth in Third World debt countries. However, the plan does not contain sufficient resources in itself to turn the debtor countries towards growth.

The Committee further notes the recent House vote providing an additional $300 million in economic assistance to Central American countries. While these countries are in need of assistance, it makes no sense to continue to provide increasing assistance if that assistance is used to pay those governments' past debts to commercial bankers in industrial countries, international financial institutions, or other nations. These funds are desperately needed in these countries to assist in stabilizing the local economy and in enhancing conditions which will contribute to the lowering of political tensions.

The Committee is concerned that economic reform measures undertaken in Central and Latin America have not gone far enough to stabilize the economies of countries in the region or to enhance their security. Continued structural adjustments are necessary, although in such countries as El Salvador and Peru with significant internal security problems, requirements for economic reform must be carefully balanced with other needs of the population to help ensure the stability of the elected governments.

If economic reforms are to have their intended effects, the major debtor nations in the region must be assisted in devising a viable strategy for managing their debt. Measures must be taken to attack the debt problem, and particularly debt servicing requirements, directly.

The Administration is encouraged to work with international and commercial lenders to reduce or eliminate interest rate spreads on loans to the most financially troubled debtor nations or to devise alternative strategies for reducing debt-servicing requirements. To not take the bold steps required invites loan default, increased instability and the perpetuation of the cycle of misery for a large portion of the population of Latin America.

FAILURE TO MEET "BEST EFFORTS" MDB AGREEMENT REQUIREMENTS

During the FY 1986 consideration of the budget it was impossible for the Congress to fully fund those amounts requested for the multilateral development banks. Due to budget constraints and differing Congressional priorities, approximately $228.8 million in requested new budget authority was not funded. Later, Gramm-Rudman sequestered an additional $48.1 million. This FY 1986 shortfall of $276.9 million will increase significantly in FY 1987.

While the Committee regrets the inability of the Congress to fully fund these institutions due to substantial budget constraints, the Committee nevertheless is concerned at the failure of the Administration to request funding for these shortfalls. Internationally negotiated agreements, signed by the Administration, explicitly require that the Administration make its "best efforts" to gain funding at agreed-upon levels from the Congress. The Committee believes that by failing to request funding for these shortfalls either in a FY 1986 supplemental appropriation bill or in the FY 1987 budget process the Administration has failed to meet the "best efforts" requirements of these agreements. Further, the Committee notes that it is not realistic to expect that Congress will fund these shortfalls at any level in the absence of Executive Branch requests.

The Committee further notes that in contrast to the failure to meet the "best efforts" requirements of the MDB agreements, the Administration has requested full funding in order to meet similar "best efforts" understandings associated with the base rights agreements. This inconsistency is startling and inappropriate.

NUCLEAR NON-PROLIFERATION

Prevention of the spread of nuclear weapons technology has been a key element of U.S. foreign policy since the development of nuclear weapons 40 years ago.

This effort has enjoyed a number of modest successes, including the creation of the International Atomic Energy Agency (IAEA) and the ratification by many nations of two important treaties, the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and the Treaty for the Prohibition of Nuclear Weapons in Latin America (Treaty of Tlateloclo). Over the same 40 year period, the number of nations exploding nuclear devices has increased from one to six. Further, the existence of unsafeguarded facilities in a number of countries is a significant cause for concern.

The Committee has long been concerned about the potential spread of nuclear weapons. This concern is magnified by instances where foreign nationals have illegally sought to export U.S. equipment of potential application to nuclear explosives.

Congress has made it clear over the years that U.S. foreign assistance should not be provided to nations that explode nuclear devices. The Committee is exploring possible violations of U.S. law by recipients of U.S. assistance who may have attempted or are attempting to develop nuclear capacity.

The Committee strongly encourages the Administration to continue to pursue the technology transfer Memoranda of Understanding, or other such agreements, with other countries as appropriate to ensure that U.S. technology is not used for nuclear weapons research by other countries.

U.N. VOTING PATTERNS

The Committee is concerned that the pattern of voting at the U.N. of certain U.S. allies and major U.S. aid recipients have in recent years been very inconsistent with the voting pattern of the United States at the U.N. While agreement with U.S. positions should not necessarily be viewed as a test of friendship, consistent disagreement with U.S. foreign policy, as expressed through U.N. votes, cannot help our relationship with nominal allies or friends. The Committee urges the Administration to work closely with major U.S. aid recipients to more frequently reach accord with these countries on positions taken on issues raised at the U.N.

PROMOTION OF DEMOCRACY

The Committee supports the promotion of democracy in all areas of the developing world, but recognizes that the impetus for democratic reform must come primarily from within these countries. Those which have recently achieved democracy or have made great strides toward it are encouraged to continue to strengthen democratic institutions, the observance of human rights and the rule of law. Countries which have moved toward more democratic governments during the past year, particularly the Philippines and Haiti, are congratulated and encouraged to fully institute democratic reforms as soon as possible. Others, including Chile, which have pledged or otherwise indicated that they will hold elections but have made little real movement in that direction are strongly urged to accelerate their timetables for elections and democratic reform.

U.S. POLICY TOWARD ETHIOPIA

The Committee is concerned about the Government of Ethiopia's program of resettlements. The U.S. Agency for International Development estimates that 600,000 people have been resettled to date under resettlement programs and that the Ethiopian government projects moving a total of 1.5 million people. The Committee is concerned over the forced nature of many of these relocations and believes that the relocations have resulted in both serious human rights abuses and misuse of resources. Overall, the relocation program has added to the already terrible suffering of Ethiopian drought victims.

The Committee is encouraged by reports that, because of the international attention and criticism of the relocation program, the Government of Ethiopia decided earlier this year to suspend resettlement activities for the time being and to apparently discipline some of the local officials responsible for abuses related to the program.

The Committee commends the Administration for its efforts in helping move the Ethiopian government towards its decision to suspend the resettlement program. However, the Committee continues to be concerned that the issue of forced resettlement has not been completely resolved. Therefore a general provision has been included in the bill that requires that no funds in the bill be available for forced resettlement in Ethiopia.

U.S. POLICY TOWARD LIBERIA

The Committee is concerned about the deteriorating economic and political situation in Liberia and the future of democracy and human rights in that country. While the release in 1986 of the political prisoners arrested under dubious charges is encouraging, the Liberian government has yet to demonstrate that it is committed to open political dialogue and fair elections. Earlier this year, the Liberian government through a controversial election, made the transition from a military government to civilian rule. With the move to a civilian government, the Committee was hopeful that President Samuel K. Doe would move forward with genuine democratic reforms, which would guarantee a more open economic and political system, expand opportunities for political participation by all citizens, and ensure greater protection of fundamental freedoms and liberties to all citizens of Liberia.

During the past year, both Houses of Congress passed resolutions calling for a cutoff of U.S. assistance to Liberia until it released all political prisoners and instituted democratic reforms. The Liberian government has, at least temporarily, fulfilled part of these conditions. However, in order to encourage further reform, Section 549 of this bill requires that fiscal year 1987 funds for Liberia be provided through the regular notification process. The Committee will carefully monitor the human rights situation and the progress of democracy in Liberia.

The Committee believes security assistance should be conditioned on the Liberian government's progress in implementing reforms in accordance with the Liberian constitution including:

(a) allowing the press to operate freely and independently;

(b) maintaining a free and independent judicial system;

(c) ensuring that the newly instituted legislature plays a vigorous, independent role, and that all its members are accorded the immunities and protections provided in the Liberian constitution;

(d) ensuring that concrete steps are taken by the Liberian government to foster national reconciliation in the formation and conduct of its civilian government; and

(e) allowing political parties, associations and the citizens of Liberia freedom of political participation, freedom of speech and expression, and freedom to organize.

It is the intent of the Committee that security assistance notifications for Liberia will not be approved if clear, determined, and verifiable steps are not taken to achieve these conditions.

The Committee instructs that not later than February 1, 1987 and every six (6) months thereafter, the Department of State shall report to Congress on the extent to which the actions of the Government of Liberia are consistent with each of the above areas of concern.

U.S. Policy Toward Haiti

The Committee desires to assist the interim Government of Haiti in its difficult transition to democracy. The Committee believes that the interim government of Haiti is seriously committed to a transition from a military council to a democratically-elected civilian government. The Committee supports the government efforts and recommends a special assistance package for Haiti. The Committee has earmarked $37,000,000 in development assistance for Haiti, and $1,000,000 for projects through the Inter-American Foundation.

The Committee also allows an unspecified amount of military assistance subject to the regular notification process and specified conditions. Further, the Committee recognizes the need for substantially increased levels of economic support funds for Haiti, perhaps as much as $80,000,000 during fiscal year 1987. The Committee supports a necessary increase in Economic Support Funds but has not earmarked a specific level due to a lack of confidence in the presently available analysis of the Haitian economic balance of payments situation and the large competing needs of other countries for these resources.

U.S. Policy Toward the Philippines

The Committee congratulates President Aquino and the people of the Philippines for their success in achieving a relatively peaceful transition to a new government, which in a short period of time has made progress toward developing a new constitution and instituting democratic reforms. The Government of the Philippines is encouraged to quickly consolidate these reforms.

The Committee is concerned about accountability for U.S. foreign assistance funds in the Philippines and the degree to which AID funds may have been siphoned off or skimmed by the former administration.

There is now ample indication that the new government is determined to clean up corruption and to better manage the economy. The Committee believes that better management by the Philippine government of U.S. foreign assistance funds should be included in their financial reform process. AID is instructed to work with the Government of the Philippines to determine how better accountability of U.S. economic aid can be ensured.

U.S. Policy In El Salvador

The Committee notes that there have been a number of positive developments in El Salvador over the past several years. A new constitution has been developed and a series of democratic elections have resulted in the installation of a civilian government.

The Committee wants to reiterate its view that President Duarte is personally committed to democratic reform in El Salvador and that he is facing a tough job under trying circumstances. The question which still concerns the Committee is whether or not President Duarte will receive sufficient support from other power bases within the country in order to achieve results in negotiating a settlement of the conflict, which has been so costly in lives and property over the last seven years, while at the same time being able to maintain public support.

Despite President Duarte's efforts, the situation in El Salvador remains a source of considerable concern to the Committee. These concerns include the continuation of the war and resulting economic decline, problems in implementing judicial reform, the lack of dialogue with the armed opposition, and continuing reports of human rights abuses by both the government and guerrillas.

The U.S. has provided more than $2 billion in military and economic aid to El Salvador since 1981. The Administration is asking for $514 million more for the next fiscal year, an increase of 245% above the amount provided when President Reagan came into office.

Despite this U.S. support, economic conditions in El Salvador have continued to deteriorate. Between 1980 and 1985 some economic growth has occurred, however, per capita GDP growth has never become positive. Large numbers of Salvadoran people are unemployed and underemployed, malnutrition is widespread, and the civil war has disrupted the delivery of health services.

According to AID, over 500,000 Salvadorans, 11% of the population, have been displaced by the conflict. The Committee is concerned about the large population of displaced persons in El Salvador, many of whom depend upon the Salvadoran Catholic and Protestant churches for food, medical assistance and shelter. The Committee commends the Salvadoran churches for their humanitarian and relief efforts in aiding the displaced in a conflict situation.

These and related problems must be addressed if the people of El Salvador are ever to have confidence in the political system. Yet, they cannot be effectively dealt with so long as the war continues.

While the Committee is pleased that President Duarte has announced his intention to reopen dialogue with the opposition, it is too soon to tell whether this will lead to progress toward a negotiated settlement.

The Committee last year expressed its concern about the lack of progress toward resolution of the conflict in El Salvador and asked the Administration to submit a three year policy projection by February 1, 1986. The Administration has failed to submit this report.

The Committee's concern toward El Salvador is even greater this year because of severe budgetary constraints. Continued high levels of military, economic, and development aid to El Salvador will be extremely difficult to maintain within dramatically reduced foreign aid levels and pressures on domestic programs.

The Committee again directs the Administration to submit the report on its projected long-term policy in El Salvador. The Committee intends to hold oversight hearings on this and the report dealing with human rights and reform measures required by section 702 of the International Security and Development Cooperation Act of 1985 (Public Law 99-83) before it acts on the Administration's FY1988 budget request.

The Committee has retained existing provisions and conditions regarding U.S. aid to El Salvador, including provisions that would halt U.S. aid in the event of a military coup and which require reprogramming procedures to approve aircraft acquisition. The aircraft notifications are especially important in light of reports of civilian noncombatant casualties which result from the air war.

The Committee also requires that it receive notification of the use of funds for police forces in El Salvador and Honduras. The Committee expects to review those reports during the course of its oversight hearings next year.

EL SALVADOR/LAND REFORM

The committee notes that the land reform program in El Salvador is moving very slowly. Giving peasants access to the land is an integral part of President Duarte's program to incorporate landless peasants into the economic system, thereby reducing their support for the guerrillas.

The committee concurs with the authorization committee that the Agency for International Development should commit a significant portion of the local currency generated by balance of payments support for projects assisting the agrarian reform supported by President Duarte. The use of this local currency need not be restricted to compensation, but should be used as well for institutional and technical support, and credit for those participating in the land reform program. A mere transfer of the titles to the land will not alone boost economic output or make the peasants self-sufficient.

Finally, the Committee recognizes that the 1983 constitution stipulates that all properties subsumed under Phase II of the land reform program must be sold by December 1986 or face expropriation without compensation. Yet to date no implementing legislation has been submitted to the National Assembly. The Committee believes that continuing progress on land reform, and the legal implementation of Phase II of the program, will be a key element in President Duarte's ability to maintain the support of the peasantry.

THE MURDER OF U.S. CITIZENS IN EL SALVADOR

Last year the Committee expressed its deep concern and outrage about the murder of a number of Americans by right wing and left wing terrorists in El Salvador. These include the murders of two U.S. labor leaders, Michael Hammer and Mark Pearlman, as well as the head of El Salvador's land reform program, Jose Rodolfo Viera, by El Salvador security forces, and four U.S. marines and two U.S. civilians who were among 13 people killed by the left wing on June 14, 1985.

The investigations of U.S. citizen and other murders in El Salvador cited in last year's report have apparently achieved little tangible progress during the past year. The Committee is concerned that there may be a lack of resolve by the Salvadoran Government to pursue all avenues of the investigations, wherever they may lead.

Members of the Special Investigative Unit (SIU) established two years ago have received training, technical assistance and equipment through U.S. financing. The Committee believes that the pace of investigations by the Special Investigative Unit should now be accelerated and that other elements of the Salvadoran government, particularly the military and the judiciary, should fully cooperate with the SIU.

U.S. POLICY TOWARD SOUTH KOREA

The Committee is concerned about growing political turmoil in the Republic of Korea that could lead to instability which could harm the interests of the United States.

In light of this concern, the Committee calls upon the Administration to publicly advocate: (1) an end to restrictions on nonviolent political expression, (2) the cessation of torture and political imprisonment, (3) support for an electoral process which allows the Korean people to democratically choose their next president, and (4) the expectation of our government that the Korean military will not intervene in the political process.

U.S. POLICY TOWARD THE SUDAN

The Committee is recommending retention of the general provision added to last year's bill that prohibits the use of funds for Sudan if the President determines that the Sudan is acting in a manner that would endanger the stability of the region, or the Camp David peace process.

While still concerned about the directions the new Sudanese government may take, including its relationship with Libya, the Committee is encouraged by Government of Sudan statements that it seeks to establish normal relations with all countries, including those with which its shares common borders.

The Committee also commends the Sudan for the elections held in April of this year. The Government of Sudan is further encouraged to pursue negotiations with the forces in the South so that all elements of Sudanese society can be drawn into the democratic process.

The Committee again registers its concern that the Sudan continue to assist and cooperate with efforts to further humanitarian needs in the region, and particularly the special needs of refugees.

In order to monitor developments in Sudan during FY 1987, the Committee has included a general provision requiring the provision of funds through the notification process.

EAST TIMOR, HUMAN RIGHTS

The Committee is concerned about continuing reports of human rights violations by the Indonesian Armed Forces on East Timor. The Committee believes that the Administration should take all appropriate measures to ensure that the Government of Indonesia takes actions to bring these abuses under control, such as maintaining and expanding access to and guaranteeing freedom of movement in East Timor for humanitarian organizations so that such organizations can carry out their humanitarian operations to the fullest extent feasible; and guaranteeing full freedom of expression for an end to intimidation of the Roman Catholic Church in East Timor.

The Committee is also concerned about reports that a population control program has been imposed on East Timor by the occupying authorities, despite the severe depopulation of the island since the Indonesian invasion in 1975. It is the Committee expectation that population programs should be entirely voluntary, that adequate education is provided the participants and that the religious values of the East Timorese are respected.

POLAND

The Committee unanimously urges the Administration to develop a coherent strategy for Poland which can obtain effective results in achieving:

(1) the unconditional release of all political prisoners held by the Government;

(2) the registration and full and unimpeded implementation of the Agricultural Fund of the Roman Catholic Church; and

(3) a dialogue on national reconciliation between the Government of Poland and the genuine representatives of the Polish People.

In this regard, the Committee also urges the Administration to direct the U.S. Executive Directors to the International Monetary Fund and the International Bank for Reconstruction and Development to vote against any loans for the Government of Poland if progress towards these goals is not achieved.

In the event that the U.S. Executive Directors vote in favor of a loan to the Government of Poland, the Secretaries of Treasury and State shall report to the Appropriations Committees of the House and the Senate the reasons for the United States position, making particular reference to goals noted above.

BUDGET JUSTIFICATION DOCUMENTS

The Committee believes that the Defense Security Assistance Agency (DSAA) has improved its budget documents in response to language the Committee included in last year's report. These documents now provide basic rationales for the funding of specific countries' security assistance programs.

However, the budget presentations still do not provide the level of detail necessary for the Committee to carefully review the specific programs to be accomplished in individual countries.

The Committee believes that DSAA should improve its justification materials so that specific identification of items to be purchased are included in the FY 1988 congressional presentation documents. The Committee instructs DSAA to work closely with countries in identifying and planning their security assistance request needs so that those needs and the resulting requests may be specifically identified in the budget documents.

The Committee further requests that alphabetical summary tables, similar to those provided by the Agency for International Development, listing prior year programs country by country, be included for the past five years in the fiscal year 1988 budget documents.

TITLE I—MULTILATERAL ECONOMIC ASSISTANCE

INTERNATIONAL FINANCIAL INSTITUTIONS SUMMARY

Fiscal year 1986 (adjusted) level	$4,001,491,570
Fiscal year 1987 request	5,211,094,601
Committee recommendation	3,125,111,869

The Committee recommends a total level of funding of $3,125,111,869 for the seven international financial institutions involved in this bill (International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, the African Development Fund and the African Development Bank), a reduction of $876,379,701 from the FY 1986 level and $2,085,982,732 from the FY 1987 budget request.

The following represents the proposed and actual distribution of International Financial Institutions funding:

	Fiscal year 1986 level	New budget authority estimate fiscal year 1987	Committee recommendation
Paid-in capital	$1,142,512,240	$1,392,002,125	$1,021,449,000
Callable capital	2,858,979,330	3,819,092,476	2,103,662,869
Total	4,001,491,570	5,211,094,601	3,125,111,869

ENVIRONMENTAL CONCERNS

The Committee recognizes the important need for International Financial Institutions to be more responsible to environmental concerns in borrowing countries. In order to encourage a more positive approach to this problem the Committee has included a General Provision (No. 539) which provides that the Secretary of the Treasury instruct the executive directors of the international financial institutions to take several steps related to improving consideration of environmental matters. This provision is discussed in greater detail under the "Items of Special Interest" section earlier in this report.

CONTRIBUTION TO THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(WORLD BANK)

Fiscal year 1986 (adjusted)	$1,458,222,645
Fiscal year 1987 request	2,288,034,045
Committee recommendation	1,264,066,667

The Committee recommends $1,264,066,667, a reduction of $194,155,978 from the FY 1986 adjusted level and $1,023,562,045 from the FY 1987 budget request. This funding recommendation is consistent with overall and additional reductions that have been made in light of current budget constraints.

The following represents the proposed and actual distribution of the International Bank for Reconstruction and Development (IBRD) funding:

	Fiscal year 1986 adjusted level	New budget authority estimate fiscal year 1987	Committee recommendation
Paid-in capital	$105,002,549	$182,845,991	$94,805,000
Callable capital	1,353,220,096	2,105,188,054	1,169,261,667
Total	1,458,222,645	2,288,034,045	1,264,066,667

The International Bank for Reconstruction and Development (IBRD), known as the World Bank, was established largely under U.S. leadership in 1945 through the Bretton Woods Agreement to make or guarantee loans for productive reconstruction and development projects. This has been accomplished both through its own capital, provided by member governments, and through the mobilization of private capital in international financial markets. The Bank's principal role today is making long term credit available for productive projects, at near market interest rates, which will lead to economic growth and social development in its less developed member countries. As of June 30, 1986, the World Bank had 148 member countries, and had made cumulative loans of $118.9 billion, of which $74.9 billion had been disbursed.

U.S. membership in the IBRD and an original capital subscription of $3.175 billion (34 percent of the total) were authorized in 1945 (Public Law 79-171). U.S. subscriptions now total $15.719 billion or 21.71 percent of the total $72.406 billion subscribed capital.

The interest rates on IBRD loans as of June 1, 1986 are 8.5 percent. Repayment terms are 15 to 20 years, after a grace period of 3 to 5 years.

CONTRIBUTION TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION

Fiscal year 1986 (adjusted) level	$669,900,000
Fiscal year 1987 request	750,000,000
Committee recommendation	604,844,000

The Committee recommends $604,844,000, a reduction of $65,056,000 from the FY 1986 adjusted level and $145,156,000 from the FY 1987 budget request. This funding recommendation is consistent with overall and additional reductions that have been made in light of budget restraints.

The International Development Association (IDA) is the concessional lending affiliate of the World Bank Group. It was established largely at the initiative of the United States in 1960 to finance high priority economic development projects in the less developed IBRD member countries since the normal IBRD lending terms, at near market interest rates, make borrowing more difficult for these countries. It does this by providing long term credits at a nominal service charge. As of June 30, 1986, IDA had 133 member countries and had made cumulative credit commitments of $39.7 billion of which $25.1 billion had been disbursed.

All IDA credits are for a term of 50 years and bear no interest. After a 10 year grace period, 1 percent of the credit is repaid annually for a period of 10 years. In the remaining 30 years, 3 percent is repaid annually. There is an annual service charge of 0.75 percent on the disbursed portion and 0.5 percent on the undisbursed portion of each credit in order to cover administrative costs.

These funds would be the third appropriation for the seventh replenishment of IDA. The total U.S. share of the seventh replenishment amounts to $2.25 billion.

CONTRIBUTION TO THE INTERNATIONAL FINANCE CORPORATION

Fiscal year 1986 (adjusted) level	$27,827,390
Fiscal year 1987 request	35,033,000
Committee recommendation	25,125,000

The Committee recommends $25,125,000, a reduction of $2,702,390 from the FY 1986 adjusted level and $9,908,000 from the FY 1987 budget request. This funding recommendation is consistent with overall and additional reductions that have been made in light of current budget constraints.

The International Finance Corporation (IFC), a member of the World Bank Group, was established in 1956 to further economic development by encouraging the growth of private enterprise in developing countries. IFC provides and mobilizes loans and equity investments for promising ventures, and provides technical assistance. During 1985 the Corporation approved 78 projects in 38 countries totaling $937 million. An increase of $650 million in the IFC's capital was agreed to in 1984 with payments on the capital increase expected over the 1985–89 period.

CONTRIBUTION TO THE SPECIAL FACILITY FOR SUB-SAHARAN AFRICA

Fiscal year 1986 (adjusted) level	$71,775,000
Fiscal year 1987 request	0
Committee recommendation	64,805,000

The Committee recommends $64,805,000, a reduction of $6,970,000 from the FY 1986 adjusted level and an increase of $64,805,000 above the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

The need for additional concessional resources for sub-Saharan Africa is well documented. In FY 1986, in response to this need, Congress authorized a $225 million U.S. contribution to the Special Facility, a temporary institution designed to channel additional resources to governments in sub-Saharan Africa that have agreed to implement significant economic policy reforms. Congress also appropriated an initial contribution of $75 million.

This legislation included language recommended by the Committee directing payment of the U.S. contribution to the Facility no later than December 31, 1985. Congress recognized that the United States would be joining the Special Facility almost a year later than other nations, and it concluded that the U.S. contribution should be made available on a timely basis.

Nevertheless, the Administration purposefully chose to ignore the law and to defer payment of the U.S. contribution well into 1986. Consequently, the U.S. contribution was reduced by 4.3 per cent under the sequestration provisions of the Gramm-Rudman Deficit Reduction Act.

The Committee is disturbed by the Administration's decision to directly violate the law. The Committee again has included language in the bill directing obligation of the U.S. contribution no later than December 31, 1986.

Finally, the Committee regrets having to reduce funding for the Special Facility in fiscal year 1987. It understands the negative consequences that this and related cuts will have on the economic prospects of sub-Saharan Africa. As explained elsewhere in this report, however, the Committee has little choice but to reduce all foreign assistance funding given the current budgetary squeeze. Further, the Committee notes that the Administration requested no funding for the Special Facility in FY 1987.

CONTRIBUTION TO THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

Fiscal year 1986 (adjusted) level	0
Fiscal year 1987 budget request	$222,015,583
Recommended in the bill	0

The Committee recommends no funding for this new agency in 1987 due to budget constraints on existing programs. The Committee further notes that authorization legislation for this agency has not yet passed the Congress.

The following represents the proposed and actual distribution of Multilateral Investment Guarantee Agency (MIGA) funding:

	Fiscal year 1986 level	New budget authority estimate fiscal year 1987	Committee recommendation
Paid-in capital	0	$44,403,116	0
Callable capital	0	177,612,464	0
Total	0	222,015,580	0

CONTRIBUTION TO THE INTER-AMERICAN DEVELOPMENT BANK

Fiscal year 1986 (adjusted) level	$1,316,808,687
Fiscal year 1987 request	1,374,465,687
Committee recommendation	764,265,299

The Committee recommends $764,265,299, a reduction of $552,543,388 from the FY 1986 adjusted level and $610,200,388 from the FY 1987 budget request. This funding recommendation is consistent with overall and additional reductions that have been made in light of current budget constraints.

The following represents the proposed and actual distribution of the Inter-American Development Bank (IDB) funding:

	Fiscal year 1986 adjusted level	New budget authority fiscal year 1987	Committee recommendation
Paid-in capital	$36,366,983	$58,000,983	$32,835,000
Callable capital	1,230,964,704	1,230,964,704	696,868,299
Fund for special operations	38,280,000	72,500,000	34,562,000

	Fiscal year 1986 adjusted level	New budget authority fiscal year 1987	Committee recommendation
Inter-American Investment Corp	11,197,000	13,000,000	0
Total	1,316,808,687	1,374,465,687	764,265,299

The Inter-American Development Bank is an intergovernmental organization, corporate in form, whose capital stock is owned by its member governments. It was established in 1959 to promote economic development in the developing countries in the Western Hemisphere. It does this by extending loans for specific development projects. It makes loans at near market terms from its ordinary/inter-regional capital resources which consist of (1) paid-in capital subscriptions of members, and (2) members' callable capital subscriptions which are used to support borrowings in capital markets. As of the end of December 31, 1985, the IDB had 27 Western Hemisphere member countries including the United States and Canada but excluding Cuba. In addition, sixteen nonregional countries (fourteen European countries plus Japan and Israel) have formally joined the Bank. Cumulative ordinary/inter-regional capital loan commitments were $21.05 billion on December 31, 1985.

In addition to its ordinary/inter-regional capital lending operations, the IDB extends loans from the resources of the Fund for Special Operations (FSO) in circumstances where financing at near market rates of interest is not appropriate. FSO loans are made on concessional terms and are extended entirely from paid-in contributions provided by the United States and other members of the Bank. The FSO was established in 1959 as an integral element in the Bank's lending operations. As of December 31, 1985 cumulative loan commitments for the FSO totaled $9.168 billion.

The ordinary capital resources of the Bank are used to provide "hard" loans to countries in Latin America. The interest rates on these loans averaged 8.69 percent. The terms are usually 15 to 25 years with grace periods equal to the time necessary for project completion plus 6 months.

The Fund for Special Operations is used to provide concessional loans to Latin American nations. The interest rates on these loans run from 2 to 4 percent and the terms are usually 25 to 40 years with grace period from 5 to 10 years.

INTER-AMERICAN DEVELOPMENT BANK PROJECTS IN HAITI

The Committee believes that the improvement of Haiti's infrastructure is crucial to long-term development efforts. In this regard, the Committee feels that the Inter-American Development Bank should actively pursue the development of its project concerning the establishment of a swine health surveillance capability to complement AID's pig repopulation projects. Additionally, we hope that the Bank will complete the construction of rural schools initiated under the CEIDAR project.

Inter-American Investment Corporation (IIC)

The Inter-American Investment Corporation (IIC) is a new multilateral development organization affiliated with the Inter-American Development Bank. The IIC is designed to support private sector activities in Latin America through equity and loan investments. Because of the IIC's focus on small and medium size enterprises, the primary beneficiaries will be the poorer countries of the region.

The Committee has provided funding for the IIC in each of the past two fiscal years in order to support creation of the IIC. However, the Committee is concerned that as yet a general manager has not been appointed for the IIC and no organizational or managerial meetings have occurred. None of the over $20 million in funding previously provided by the Committee has been expended at this time. Further, it is unlikely that the IIC will become sufficiently organized during the next year to initiate and complete the planning required to begin any significant level of loan expenditures. Consequently, in light of this situation and the current budget constraints, the Committee has recommended no new funding for the IIC in FY 1987.

The IIC membership includes the United States, 21 IDB borrowing member countries, and the following non-regional countries: Italy, Japan, France, Spain, Switzerland, Netherlands, Austria, Israel, and Germany. All capital subscriptions are paid-in and are in convertible currencies.

Contribution to the Asian Development Bank

The Committee recommends $292,248,923, a reduction of $41,078,983 from the FY 1986 adjusted level and $102,350,973 from the FY 1987 budget request. This funding recommendation is consistent with overall and additional reductions that have been made in light of current budget constraints.

The following represents the proposed and actual distribution of the Asian Development Bank (ADB) funding:

	Fiscal year 1986 adjusted level	New budget authority estimate, fiscal year 1987	Committee recommendation
Paid-in capital	$11,397,408	$13,232,676	$10,291,000
Callable capital	226,230,498	251,367,220	195,551,923
Development fund	95,700,000	130,000,000	86,406,000
Total	333,327,906	394,599,896	292,248,923

The Asian Development Bank is an inter-governmental organization, corporate in form, whose capital stock is owned by its member governments. It was established in 1966 and began ordinary capital lending operations in 1968. The ADB assists in the financing of economic development projects and programs in the developing member countries of Asia and the Pacific region. The Bank makes loans at near market interest rates from its ordinary capital resources which consist of (1) paid-in capital subscriptions of members, and (2) proceeds of borrowings in private capital markets which are based on members' callable capital subscriptions. As of December 31, 1985, the ADB had 45 member countries—31 regional countries, three of which are classified as developed (Japan, Australia and New Zealand), and 14 developed non-regional countries including the United States, Canada, and 12 European countries. As of December 31, 1985 cumulative ordinary capital loan commitments were $11.949 billion.

In addition to its ordinary capital lending operations, the ADB extends loans at concessional rates from funds provided by various ADB member governments. These special funds are used to finance high priority economic development projects in the poorest ADB member countries. As of December 31, 1985 cumulative loan commitments from the Asian Development Fund (ADF) totaled $5.542 billion.

The ordinary capital resources of the Bank are used to provide "hard" loans to countries in Asia. The U.S. contribution to the most recent replenishment represents 16.3 percent of the total proposed contributions. The interest rates on these loans were 9.65 percent on June 1, 1986. The loan repayment terms usually run 10 to 30 years, after a grace period of from 2 to 7 years.

The Fund is used to provide concessional loans. The loans are provided to the countries at no interest. A service charge of 1 percent is levied, with 40 years repayment schedule, after a 10 year grace period.

CONTRIBUTION TO THE AFRICAN DEVELOPMENT FUND

Fiscal year 1986 level	$59,573,000
Fiscal year 1987 budget request	75,000,000
Recommended in the bill	53,788,000

The Committee recommends an appropriation of $53,788,000 which is $21,212,000 below the FY 1987 budget request, and $5,785,000 below the FY 1986 level.

The African Development Fund (AFDF), a special fund associated with the African Development Bank (AFDB), was established in 1973. The purpose of the AFDF is to complement the operations of the AFDB by providing acutely needed concessional financing for high priority development projects in the poorest African countries. The Fund consists of 25 non-regional donor countries, plus the AFDB representing all of its members.

The African Development Fund is a separate entity from the AFDB, with its own independent decision-making process and financial autonomy. The Fund's Board of Directors is composed of twelve directors, six elected from the donor countries and six from the Board of Directors of the Bank. The directors designated by the donor countries have 50 percent of the voting power and the directors designated by the Bank have the other 50 percent. A 75-percent weighted vote is required for all operational decisions.

Although all members of the Bank are eligible to borrow, the Fund has restricted its lending to the poorest members. The Fund has concentrated its resources on agricultural and transportation projects.

These loans are provided at no interest. A service charge of 1.0 percent is assessed annually. There is a 40 year repayment schedule after a 10 year grace period.

CONTRIBUTION TO THE AFRICAN DEVELOPMENT BANK

Fiscal year 1986 (adjusted) level	$64,056,942
Fiscal year 1987 request	71,946,393
Committee recommendation	55,968,980

The Committee recommends $55,968,980, a decrease of $8,087,962 from the FY 1986 adjusted level and a reduction of $15,977,413 from the FY 1987 budget request. This funding recommendation is consistent with overall and additional reductions that have been made in light of current budget constraints.

The following represents the proposed and actual distribution of the African Development Bank funding:

	Fiscal year 1986 adjusted level	New budget authority estimate, fiscal year 1987	Committee recommendation
Paid-in capital	$15,492,910	$17,986,359	$13,988,000
Callable capital	48,564,032	53,960,034	41,980,980
Total	64,056,942	71,946,393	55,968,980

The African Development Bank was established in 1964 to make loans at near market terms for the economic and social development of its fifty African members individually and through regional cooperation. In December 1982, the Bank's membership was opened to non-African countries. The United States joined the Bank on February 8, 1983. As of December 31, 1985, 23 non-African countries have become bank members, joining the 50 African members.

To meet the challenge of Africa's poverty, loans are provided primarily to strengthen agriculture and to finance critically needed infrastructure projects. As of December 31, 1985, cumulative Bank lending amounted to more than $3.808 billion. Lending rates were 8.75 percent as of June 1, 1986, while repayment periods were 12 to 20 years, the grace period on repayment of principal is equal to the time required for project construction.

DEPARTMENT OF STATE

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Fiscal year 1986 (adjusted) level	$265,971,475
Fiscal year 1987 request	186,000,000
Committee recommendation	238,995,000

The Committee recommends $238,995,000, a reduction of $26,976,475 from the FY 1986 adjusted level and an increase of $52,995,000 from the FY 1987 budget request.

The following table shows the Committee's earmarks by program:

INTERNATIONAL ORGANIZATIONS AND PROGRAMS VOLUNTARY CONTRIBUTIONS

[Dollars in thousands]

Organization	Fiscal year 1986 sequestered	Fiscal year 1987 request	Recommendation
United Nations:			
Development Program [UNDP]	$142,115	$102,500	$107,500
UNDP Trust Fund to Combat Poverty and Hunger in Africa	1,368		1,368
Children's Fund [UNICEF]	46,080	34,200	51,080
Environment Program [UNEP]	8,613	6,800	8,613
World Meteorological Organization [WMO]	1,723	2,000	1,978
Center on Human Settlements (Habitat)	383		383
International Convention and Scientific Organization Contributions [ICSOC]	1,228	2,300	1,125
Capital Development Fund [UNCDF]	861	1,800	861
Educational and Training Program for Southern Africa [UNETPSA]	861	900	789
Voluntary Fund for the Decade for Women [UNIFEM]	239	450	219
Convention on International Trade in Endangered Species [CITES]	172	200	172
World Food Program [WFP]	1,818		1,818
Trust Fund for South Africa [UNTFSA]			250
Fellowship Program	215		197
UNIDO Investment Promotion Service		300	
Institute for Namibia [UNIN]	215		219
World Heritage Fund [WHF]	239		219
Voluntary Fund for Victims of Torture [UNVFVT]	86	100	86
Other:			
International Atomic Energy Agency [IAEA]	16,953	20,500	20,500
OAS Development Assistance Programs [OAS]	14,092	13,950	12,908
International Fund for Agricultural Development [IFAD]	28,710	(24,500)*	28,710
IFAD Special Facility for Africa			(10,000)
Total	265,971	186,000	238,995

*Requested under Agriculture, Development Assistance.

The Committee again notes the Administration's failure to request funding for programs which have been supported by the U.S. government for many years including: the World Food Program, the Trust Fund for South Africa, the United Nations Fellowship Program, the Institute for Namibia, the World Heritage Foundation, the Trust Fund to Combat Poverty and Hunger in Africa, and the Center on Human Settlements program. The Committee also notes the major cuts requested for the United Nations Development Program, UNICEF, and the U.N. Environment Program. No substantive rationale has been given to the Committee for these proposals.

In light of the very strong support for UNICEF, and in providing for children's programs, even within declining resources, the Committee has provided for UNICEF at the FY 1986 Continuing Resolution level $51,080,000, an increase of $16,880,000 above the 1987 request.

THE UNITED NATIONS SOUTH AFRICA TRUST FUND

The Committee recognizes the importance of the United Nations South Africa Trust Fund (SATF) in providing (i) legal assistance to the victims of apartheid, (ii) timely data to policymakers in this country. The Committee considers SATF to be an important force for change in South Africa, and in view of the overwhelming anti-apartheid stand taken by the House of Representatives in 1985 and

1986, views SATF funding to be an important reflection of the U.S. commitment to hasten the dismantlement of apartheid.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

The Committee is recommending $28,710,000, the same amount as the post-sequestration level for the current fiscal year, for the International Fund for Agricultural Development.

It is generally agreed that the International Fund for Agricultural Development is one of the most effective development institutions in the world, a view endorsed in testimony before this Committee last year by the Heritage Foundation among others.

Nonetheless, the recently concluded second replenishment for IFAD will reduce the overall amount of resources available to this institution as well as the U.S. contribution by more than 50% from levels negotiated for the first replenishment in 1981.

The Governing Council, recognizing that this reduction would substantially inhibit the ability of IFAD to fund activities in Africa and conscious of the compelling needs of that region, agreed to establish a Special Program to assist sub-Saharan African countries affected by drought and desertification in January 1986.

The Special Program is unique in its emphasis on giving priority to the traditional agricultural sector. There is a broad consensus among major donors on the need for a global approach to Africa that essentially links the flow of aid to policy reforms at the macroeconomic level. Although such reforms are needed, changes in policy must be linked to the decisions of small farmers and the landless poor at the micro level. IFAD has already demonstrated that it is one of the few institutions capable of affecting those decisions.

IFAD has set a goal of raising $300 million to fund programs, projects and activities under the Special Program. The Fund has already received cash payments, instruments of contribution, official pledges and expressions of interest representing about two-thirds of this goal. However, a number of major donors, including the United States, Great Britain, Germany, Japan and Canada have failed to contribute to date.

Thus, within the overall total recommended in this bill for IFAD, the Committee has included a provision that $10 million only shall be available as a U.S. contribution to the Special Program. While this contribution is modest, the Committee believes that a U.S. contribution at this time will encourage other donors to participate in the work of the Special Program and thus contribute to the success of this important effort.

IFAD PROGRAM EVALUATION

The Committee also recommends that IFAD establish an independent program Evaluation Division, which shall serve as a central evaluation unit with a direct line of reporting to the Board of Directors, and that the Evaluation Division make a report available to the Congress by February 1 of each year detailing the extent to which (a) IFAD staff are simultaneously involved in project lending and evaluation operations, and (b) evaluation report recommendations are actually taken up in the field.

TITLE II—BILATERAL ECONOMIC ASSISTANCE

Fiscal year 1986 level	$6,124,850,000
Fiscal year 1987 request	6,852,252,000
Committee recommendation	5,820,873,000

The Committee recommends an appropriation of $5,820,873,000, a reduction of $303,977,000 from the FY 1986 level and of $1,031,379,000 from the FY 1987 budget request. Funding included in this title is for economic assistance that is administered directly by U.S. agencies.

The $5,820,873,000 in bilateral assistance recommended in this title is compared with $1,255,444,000 in budget authority and $2,103,662,869 in callable capital in multilateral economic assistance that is provided in Title I of this bill. The multilateral funds are administered by various international financial institutions and the United Nations.

AGENCY FOR INTERNATIONAL DEVELOPMENT

Fiscal year 1986 (adjusted) level	$5,566,230,000
Fiscal year 1987 request	6,221,942,000
Committee recommendation	5,198,013,000

The Committee recommends $5,198,013,000, a reduction of $368,217,000 from the FY 1986 adjusted level and $1,023,929,000 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION, DEVELOPMENT ASSISTANCE

Fiscal year 1986 (adjusted) level	$669,895,000
Fiscal year 1987 request	709,900,000
Committee recommendation	619,839,000

The Committee recommends $619,839,000, a reduction of $50,056,000 from the FY 1986 adjusted level and $90,061,000 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

As funding levels for section 103 (Agriculture, Rural Development and Nutrition) decrease, it is the intent of this Committee that AID maintain adequate funding for activities basic to the agricultural development goals of the agency, such as agricultural training, research, technical assistance and Third World institution building.

The Committee is concerned that centrally-funded programs within the Office of Agriculture of the Bureau of Science and Technology were cut by 24% in FY 1986 (compared to 11% cuts agency wide). Important activities such as the Collaborative Research Support Programs (CRSP), which fund activities by 37 U.S. Title XII universities, as well as other land-grant university research and technical services programs are funded through this office.

The Committee believes these programs and activities should not be cut disproportionately again in FY 1987. Indeed, AID should consider somewhat smaller reductions in these programs and activities given the disproportionate cuts suffered in FY 1986.

TROPICAL ANIMAL HEALTH

The Committee believes that the important role of animal protein in the diet in developing countries and the importance of animal husbandry suggests that the Agency for International Development should explore the possibility of further promoting training and research in tropical animal health.

SURPLUS DAIRY PRODUCTS

The Committee recommends that up to $5 million of the funds for Agriculture, Rural Development, and Nutrition Development Assistance be available for new development projects of private entities and cooperatives using surplus dairy products.

The Committee is pleased to note that its initiative to authorize the use of development funds in conjunction with surplus dairy products has been welcomed by several countries. The dairy program shows promise as a way to encourage development while utilizing U.S. dairy surpluses in a productive manner.

Program proposals have already been developed by Land O'Lakes and the National Cooperative Business Association to utilize development assistance funds in Guatemala and Indonesia. The projects will provide assistance to increase production and consumption, increase small farmer incomes and help build markets for U.S. dairy products.

We encourage the Agency for International Development to continue this program in future years. The Committee will continue to monitor the results of this program.

VITAMIN A DEFICIENCY

The Committee has earmarked $6 million of the funds available in the Agriculture account for the AID Vitamin A deficiency program.

Last year the Committee initiated an earmarking of funds for Vitamin A because of the overwhelming evidence of the benefits to children. AID has estimated that as many as 400,000 children can be saved from blindness through increased vitamin A supplementation.

Overall it is estimated that ten million children suffer from vitamin A nutritional disorder annually, and a half million children in developing countries go blind each year because they do not have enough vitamin A.

The Committee feels that AID has responded quickly to initiate an expanded vitamin A program. AID is encouraged to accelerate efforts even further during fiscal year 1987.

The Committee intends that these funds be used primarily for nutrition supplementation and fortification programs carried out by private and voluntary organizations and international organizations, as well as research.

AGRICULTURE LONG-TERM DEVELOPMENT IN AFRICA

It appears that the worst of the African drought and famine may now be over. However, the Committee cautions that this should not be a time to pause waiting for another disaster to occur. Instead, AID is encouraged to place additional effort, both through bi-lateral and multi-lateral efforts, to strengthening programs aimed at long-term solutions to the causes of hunger and malnutrition in Africa. The Committee feels that unless programs are strengthened to combat the continuing decline in per capita food production, the inability of the poor to afford adequate diets, and high rates of population growth, crises of famine will continue to take place in Africa.

POPULATION, DEVELOPMENT ASSISTANCE

Fiscal year 1986 (adjusted) level	$239,250,000
Fiscal year 1987 request	250,000,000
Committee recommendation	239,250,000

The Committee recommends $239,250,000, equal to the FY 1986 adjusted level and a decrease of $10,750,000 from the FY 1987 budget request.

The Committee has provided funding for the Population account above the Committee's formula because of the Committee's strong belief in an effective voluntary population control program. The voluntary population control program is important to third world economies and the well being of third world populations.

The Committee has included prior year language in the bill that requires that none of the Population, Development Assistance funds for this year or any unobligated balances be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization. The bill language also states that funds for Population, Development Assistance cannot be used to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions. Further, the language indicates that in order to reduce reliance on abortions in developing countries population funds shall be available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to a broad range of family planning methods and services. A new provision has been added to the bill that requries that in awarding grants for natural family planning under Section 104 of the Foreign Assistance Act, no applicant shall be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning; however all such applicants shall comply with the requirements of informed consent included in the bill.

Finally, the Committee has recommended bill language that states that nothing in the population section of the bill is to alter any existing statutory prohibitions against abortion which is included under section 104 of the Foreign Assistance Act.

HEALTH, DEVELOPMENT ASSISTANCE

Fiscal year 1986 (adjusted) level	$192,189,000
Fiscal year 1987 request	150,843,000
Committee recommendation	173,525,000

The Committee recommends $173,525,000, a reduction of $18,664,000 from the FY 1986 adjusted level and an increase of $22,682,000 to the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

COORDINATION WITH PUBLIC HEALTH SERVICE

The Committee has learned that AID has not moved forward on a number of health programs due to the lack of project planning and preparation. In order to increase the number of professional health experts working on health planning the Committee feels that steps should be taken to obtain assistance from the Public Health Service. The Committee expects AID to move forward with programs of coordination with the Public Health Service, and to report on these efforts during next year's hearings.

MALARIA PROGRAM

Malaria is currently resurging worldwide, and this year alone, an estimated 2-3 million people risk dying from this infectious disease. The majority of its victims will be Africans, especially children under the age of 5 years old. Anti-malaria drugs have been the mainstay of control against malaria in Africa, since pesticide use against mosquito vectors has not been very effective. But over the last several years, many of the malarial parasites have developed resistance to the drugs long used against the disease.

The Agency for International Development has sponsored a malaria vaccine program. It is because of nearly twenty years of research and development in this area that several prototypes have been developed using the latest biogenetic engineering and synthetic peptide chemistry methodologies.

The Committee believes AID's malaria vaccine program is significantly contributing to eradicating this devastating unconquered disease and to improving the chances of child survival in Africa and third world countries.

CHILD SURVIVAL FUND

Fiscal year 1986 (adjusted level)	$23,925,000
Fiscal year 1987 request	25,000,000
Committee recommendation	50,000,000

The Committee recommends $50,000,000, an increase of $26,075,000 to the FY 1986 adjusted level and $25,000,000 to the FY 1987 budget request. This funding recommendation is consistent with the budget estimate.

The Committee continues to strongly support the programs and goals of the child survival fund. It is the goal of this fund to provide programs aimed at cutting in half infant and child mortality rates in developing countries and includes programs such as rehydration therapy, immunization, and other primary health efforts.

In order to assure that these programs receive the special attention necessary to move toward reducing disease and malnutrition in children, no funding reductions have been made by the Committee.

The Committee is concerned that inadequate levels of health care personnel are available in order to achieve reasonable progress toward reaching the goal of immunizing 80 percent of the children of the world in AID-assisted countries by 1990. Consequently, the Committee directs that the Agency for International Development use appropriated funds provided in the Act to reimburse the Public Health Service for the full cost of providing up to an additional 50 Public Health Service employees to assist in child survival activities.

The Secretary of Health and Human Services should make available through assignment not more than 50 additional employees of the Public Health Service, who shall be exempt from all FTE limitations on the Department of Health and Human Services, to assist in child survival activities through and with funds provided by the Agency for International Development, or the World Health Organization or UNICEF. In addition, commissioned officers assigned under this section shall be exempt from all limitations on the number and grade of officers in the Public Health Service Commissioned Corps.

AID ADMINISTRATION OF CHILD SURVIVAL FUND

The Committee strongly supports the goal of child survival in AID's development program, and commends the agency for its commitment to making child survival the focus of its health program.

The Committee has heard from a number of PVOs and international organizations, including CARE, Inter-Action and Save the Children, about their concerns over the short time they were given to prepare program proposals and their concerns over the administration of the program.

They were concerned that an emphasis on a few selected interventions may not adequately address priority child survival needs in all countries served. Furthermore, AID's strategy to target resources to selected countries, which will assist in maximizing impact on those countries, will at the same time not allow for expansion of child survival efforts in other countries with severe infant and child survival problems. It is the intent of this Committee to make child survival funds available in areas of high infant mortality and for activities of those private voluntary organizations and international organizations with an already established record in international health.

These groups were concerned that the administration of the Child Survival Fund may be unnecessarily restricting activities. Two leading activities, oral rehydration therapy and immunizations, should be supported and coordinated with other important child survival interventions appropriate to the community served. Programs, such as breast feeding promotion, should emphasize the role of mothers, who have the greatest impact on children's health.

Increased time for project planning should be incorporated in the administrative procedures governing use of the Child Survival Fund to ensure appropriate project design and delivery. Implementing agencies should have information on the use and availability of Child Survival Funds on a timely basis.

EDUCATION AND HUMAN RESOURCES DEVELOPMENT, DEVELOPMENT ASSISTANCE

Fiscal year 1986 (adjusted) level	$162,642,000
Fiscal year 1987 request	179,789,000
Committee recommendation	146,847,000

The Committee recommends $146,847,000, a reduction of $15,795,000 from the FY 1986 adjusted level and $32,942,000 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

ENERGY AND SELECTED DEVELOPMENT ACTIVITIES, DEVELOPMENT ASSISTANCE

Fiscal year 1986 (adjusted) level	$166,862,000
Fiscal year 1987 request	217,210,000
Committee recommendation	136,657,000

The Committee recommends $136,657,000, a reduction of $31,205,000 from the FY 1986 adjusted level and $81,553,000 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

U.S., ISRAEL AND DEVELOPING COUNTRY CO-OPERATIVE PROJECTS

The Committee has earmarked $5,000,000 of this account to be used for cooperative projects among the United States, Israel and developing countries, particularly Africa. This program is designed to tap Israel's extensive experience and expertise in such areas as arid and semi-arid agricultural production.

MINORITY AND SMALL ENTERPRISE TRADE AND INVESTMENT PROJECT

The Committee supports the concept of AID and/or OPIC-funded joint ventures between small minority businesses in this country and entrepreneurs on the African continent. In view of this, the Committee requests a status report on the Minority and Small Enterprise Trade and Investment Project—a joint project between AID, OPIC and the Booker T. Washington Foundation—and requests that special emphasis be placed on recommendations to enhance the feasibility of this and similar projects.

SCIENCE AND TECHNOLOGY, DEVELOPMENT ASSISTANCE

Fiscal year 1986 (adjusted) level	$10,326,000
Fiscal year 1987 request	14,258,000
Committee recommendation	9,323,000

The Committee recommends $9,323,000, a reduction of $1,003,000 from the FY 1986 adjusted level and $4,935,000 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

AID EMPHASIS ON NON-GOVERNMENTAL CHANNELS OF ASSISTANCE

In implementing the Committee's reductions for AID accounts, the Administrator of AID is strongly encouraged to consider taking significant portions of the cuts from government-to-government programs. With limited U.S. assistance dollars, the Committee believes that assistance channeled through private, nongovernmental programs is more effective and can better reach the poor.

In promoting participatory economic development, AID should focus its resources on private programs which avoid overburdened and sometimes inefficient bureaucracies. There are a multitude of nongovernmental channels, such as U.S. and indigenous PVOs, cooperatives, foundations, and others, which can provide technical assistance and loans directly to small farmers and small businesses especially in the informal economy.

U.S. and host country private organizations of all types have the capacity to expand employment-generating, self-help and people-to-people style development which truly builds lasting friendships for the American people. The Committee firmly believes that this is the approach to foreign aid which the public is more willing to support.

In appropriating funds for bilateral development assistance, it is the intent of this Committee that the centrally-funded private voluntary organizations' (PVOs) programs supported by the Office of Private and Voluntary Cooperation (PVC) be given high priority by the Administration.

The Office of Private and Voluntary Cooperation receives Agency-wide funds from each of the bilateral development assistance accounts, and the Committee believes that necessary cuts in these accounts ought not disproportionately harm one of AID's most effective and efficient programs.

PRIVATE AND VOLUNTARY ORGANIZATIONS

The Committee has included bill language provided in the FY 1986 continuing resolution (P.L. 99–190) concerning private and voluntary organizations. The Committee believes that it is appropriate to require that private and voluntary organizations obtain a minimum of twenty percent of their funding from private, non-government sources in order to be eligible for participation in programs funded under the Agency for International Development. In implementing this twenty percent rule for the PVOs, AID should not include in the determination of the amount of Government support for an organization the value of commodities (including related transportation) made available to that organization for overseas distribution. Also the value of contracts for services and grants for AID-initiated activities shall not be included in determining Government support for such an organization. It is the Committee's intent that no ongoing PVO programs should be interrupted by the PVO provisions included in either the bill or report.

PRIVATE ENTERPRISE BUREAU

Small enterprise development programs are a key part of any strategy that targets job creation, income generation, and marginal development benefits of free enterprise activity among the poor majority of underdeveloped countries. The Committee received testimony from PVOs that carried out such programs in a number of countries. These PVOs are important both for their work in the third world and their education and involvement of key business leaders in development issues here at home. These programs assist enterprises sufficiently small and of higher risk in nature. They must rely on grant funding, rather than on equity or debt financing.

Special emphasis should be given to programs that develop the capacity of indigenous, non-governmental institutions to carry out such free enterprise development among the poor majority.

LIMITATION ON DEVELOPMENT ASSISTANCE FOR SUB-SAHARAN AFRICA

The Committee believes that Africa, a region recovering from severe drought and burdened with some of the world's most staggering development problems, should not be required to absorb a disproportionate share of the cuts being recommended in this bill.

The Executive branch has traditionally been given wide discretion in allocating non-earmarked funds among countries and regions. It is clear to the Committee that Africa has not shared fairly in Executive branch funding allocations in earlier fiscal years. As resources decline, those regions considered to be of low strategic priority to the Administration are potentially subject to even greater disproportionate cuts.

The Committee believes it is particularly important to safeguard Africa's share of longer-term development assistance funds against disproportionate cuts. The fact is that development assistance to Africa has declined in real terms after taking inflation into account between fiscal year 1981, the last year of the Carter Administration, and the present. Africa should not have to suffer disproportionate cuts in fiscal year 1987.

Consequently, the Committee is recommending that regional, centrally funded and country allocations other than those for Africa shall not receive a percentage share of fiscal year 1987 development assistance funds at a level greater than their share of these funds in the current fiscal year. This new language means that these areas will receive not more than 78.3% of the worldwide total for development assistance made available by the Act for fiscal year 1987. This limitation is not designed to protect Africa from overall cuts, but only to ensure that those cuts which need to be made do not fall disproportionately on Africa.

It is the belief of the Committee that AID should make every effort to minimize any reduction in the amount of funds for Africa in fiscal year 1987, both in Development Assistance accounts and the Economic Support Fund.

HAITI, DEVELOPMENT ASSISTANCE

The Committee supports the need to assist in the transition to democracy in Haiti. Consequently, the Committee has earmarked $37,000,000 in development assistance funds for Haiti. It is the intent of the Committee that these funds for Haiti be obligated only if the President determines that the interim government of Haiti is:

—implementing its announced timetable for completion of a new constitution that promotes genuine democratic reforms, guarantees equal participation by all citizens, and guarantees the fundamental principles of democracy;

—establishing a framework for free and open elections leading to a democratically-elected civilian government, which would include free and functioning political parties and associations, free labor unions, and freedom of the press;

—improving the human rights situation in Haiti;

—maintaining a free and independent judiciary system;

—continuing its investigation of alleged human rights abuses and corruption by the Duvalier government and, through due process, prosecuting those convicted of human rights abuses and corruption;

—maintaining a system of fiscal accountability to ensure that all resources allocated to Haiti are used in the most effective and efficient manner;

—continuing to cooperate with the United States in halting illegal emigration to the United States from Haiti;

—cooperating fully in implementing United States development, food, and other economic assistance programs in Haiti (including programs for prior fiscal years).

In light of Haiti's political and economic history, the Committee is concerned about the difficulties that Haiti is likely to encounter in its attempt to establish a stable democracy.

The active involvement and utilization of disadvantaged businesses and historically black colleges and universities, in Haiti's short-to-medium term stabilization/development efforts could facilitate a strengthening of U.S./Haiti relations at this crucial juncture, while yielding substantive benefits to various segments of Haitian society.

The Committee requests that the Agency for International Development, by January 31, 1987, investigate and report upon those areas of involvement through which disadvantaged businesses and HBCU's could be of greatest assistance to Haiti.

PRIVATE SECTOR REVOLVING FUND

(BY TRANSFER)

Fiscal year (adjusted) level	($17,226,000)
Fiscal year 1987 request	(13,500,000)
Committee recommendation	(15,553,000)

The Committee recommends ($15,553,000), a reduction of ($1,673,000) from the FY 1986 adjusted level and an increase of ($2,053,000) above the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

It is the Committee's intention that reflows and other income accruing to the Private Sector Revolving Fund in any fiscal year shall be obligated within the ceilings imposed in appropriations acts.

LOAN ALLOCATION, DEVELOPMENT ASSISTANCE

The Committee has included prior bill language providing the Administrator of AID the ability to make loan assistance consistent with current law. The bill language requires to the maximum extent practicable that loans to private sector institutions be provided at or near the prevailing interest rate paid on similar Treasury obligations.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Fiscal year 1986 (adjusted) level	$33,495,000
Fiscal year 1987 request	10,000,000
Committee recommendation	33,495,000

The Committee recommends $33,495,000, which is at the FY 1986 adjusted level and is an increase of $23,495,000 from the FY 1987 budget request.

PROJECT ORBIS

The Committee has been favorably impressed by the programs of Project ORBIS. Project ORBIS has made an impressive contribution in providing on-site, state-of-the-art surgical and medical ophthalmic services and in acting as a conduit in which ophthalmologic skills and techniques may be transferred to ophthalmologic communities around the world.

The Committee strongly urges the Agency for International Development to fully fund the requests for assistance for project ORBIS.

ASHA PROGRAMS IN CHINA

Recent Chinese economic and political reforms provide new opportunities for improved Sino-American relations.

The establishment of ASHA sponsored educational activities and other projects in China could help set a firm foundation for improved relations.

CHILDREN'S HOSPITALS

The Committee recognizes the important role that children's hospitals have played in developing pediatric medicine in the U.S. This has resulted in a more healthy child and adult population. The Committee urges AID to use the ASHA program to enable developing countries to take advantage of this experience and duplicate this effort to concentrate on pediatrics.

THE AMERICAN UNIVERSITY OF BEIRUT

The American University of Beirut has served the educational and health needs of Lebanon and the Middle East for 120 years. The United States Government has long recognized that AUB also serves the broader interests of the United States. The current challenge to these values makes the preservation of this institution all the more important.

Although this is a time of budget stringency, the Committee believes that, because of AUB's special role in improving understanding of the United States in the Middle East, this institution should receive special consideration. The Committee expects that in FY 1987 the AUB will receive support from the American Schools and Hospitals Abroad account equal to the assistance it received in FY 1986 and that additional funding should be available from other sources.

The preservation of this American, non-sectarian institution could provide the necessary base for future development and national recovery in Lebanon and will demonstrate this country's determination not to concede the future of the Middle East to the forces of anti-Americanism and intolerance.

INTERNATIONAL DISASTER ASSISTANCE

Fiscal year 1986 (adjusted) level	$21,532,000
Fiscal year 1987 request	25,000,000
Committee recommendation	19,441,000

The Committee recommends $19,441,000, a reduction of $2,091,000 from the FY 1986 adjusted level and $5.559,000 from the FY 1987 budget request. This funding recommendation is consistent with reductions that have been made in light of current budget constraints.

The Committee notes that if severe disaster assistance requirements develop during Fiscal Year 1987 the Agency for International Development has the ability to respond beyond the funding levels provided in this account. The Committee, in times of disasters, will be responsive to either the borrowing of funds from other accounts to meet disaster needs, or to proposals for supplemental funding.

DISASTER ASSISTANCE TO COLOMBIA

The Committee feels that the AID Office for Disaster Assistance should accelerate its efforts to work with the Government of Colombia on additional prevention and preparation efforts associated with the eruption of volcanos in Colombia. It appears that one of the major difficulties encountered following the November, 1985 eruption of Mt. Ruiz in Colombia, was the inability to notify villages of the subsequent mudslide. Approximately 25,000 people were killed as a result of mudslides, many in villages that were completely cut off from communication.

The Committee believes that the United States should be helpful in the disaster prevention program in Colombia by working with that Government to provide emergency warning systems in areas known to be prone to mudslides or other problems associated with the eruption of volcanos.

DISASTER ASSISTANCE CHARGES BY U.S. MILITARY

The Committee during its hearing on disaster assistance explored the issue of charges made by the U.S. military for relief efforts associated with disasters. The director of disaster assistance testified that the military charged $265,000 per day for relief efforts of 12 helicopters in Colombia. These charges are apparently typical for charges made by the U.S. military for relief activities.

The Committee believes that a new system for charges for U.S. military assistance needs to be developed between the Agency for International Development and the Defense Department. The use of military helicopters and personnel for disaster assistance should be considered special circumstances that should not be subject to additional charges that go beyond the normal scheduled operational cost for equipment and personnel. The Committee directs that a joint AID/Defense study on this issue be submitted to the Committee by February 28, 1987.

SAHEL DEVELOPMENT PROGRAM

Fiscal year 1986 (adjusted) level	$77,038,000
Fiscal year 1987 request	80,000,000
Committee recommendation	69,557,000

The Committee recommends $69,557,000, a reduction of $7,481,000 from the FY 1986 adjusted level and $10,443,000 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

The AID Sahel Development Program is directed to the needs of the eight West African states of Burkina Faso, Cape Verde, Chad, Gambia, Mali, Mauritania, Niger and Senegal. These countries comprise one of the poorest regions in the world.

The program began with a major emergency relief effort in the face of a catastrophic drought in the early 1970's. Today, it is directed at establishing a policy environment supportive of economic recovery and long-term regional economic growth, regional food self-reliance and the stabilization of the natural environment.

The Committee has also included prior year bill language that states that the United States contribution to the Sahel program is not to be in excess of 10 percent of the total contribution to that program.

PAYMENT TO THE FOREIGN SERVICE RETIREMENT AND DISABILITY FUND

Fiscal year 1986 (adjusted) level	$43,122,000
Fiscal year 1987 request	45,492,000
Committee recommendation	45,492,000

The Committee recommends $45,492,000, an increase of $2,[illegible]000 to the FY 1986 adjusted level and the same level as the FY 1987 budget request. This funding recommendation is based on the FY 1987 budget estimate.

Payment to this fund is considered a mandatory program.

OPERATING EXPENSES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

Fiscal year 1986 (adjusted) level	$360,167,000
Fiscal year 1987 request	388,900,000
Committee recommendation	340,600,000

The Committee recommends $340,600,000, a reduction of $19,567,000 from the FY 1986 adjusted level and $48,300,000 from the FY 1987 budget request. This funding recommendation is based on a reduction from the FY 1986 adjusted level.

For the purpose of funds made available for FY 1987, the Agency for International Development may charge overseas local support costs of its economic assistance programs to program (as opposed to the operating expenses) account. Such costs would include program-related overseas travel, office maintenance and operations, the cost of foreign service nationals who carry out program-related functions, and the cost of program-related personal services contractors. The Committee expects that these costs will be derived proportionately from the various accounts administered by AID overseas. The total amount to be derived from these transfers should not exceed $30,000,000.

DISADVANTAGED BUSINESS PARTICIPATION

The Committee has included in the bill prior year language on set asides for economic and socially disadvantaged enterprises, historically black colleges and universities, and voluntary organizations controlled by minority individuals.

While the Committee is encouraged by the progress made by the Agency in implementing the "Gray Amendment", the Committee continues to be concerned that the overall goals for disadvantaged entity participation have yet to be met. In this regard, the use of proven initiatives which effectively expand the participation of these entities, including joint ventures, preference points, and exclusive subcontracting opportunities, are encouraged.

The Agency is directed to report to the Committee its progress in implementing the Gray Amendment by December 15, 1986.

TECHNICAL FELLOWS PROGRAM

The Committee encourages the AID Administrator to use available funds to establish a Research and Technical Fellows Program to bolster the Agency's need for technical expertise in such areas as agriculture, child survival, rural development, health and nutrition, and other technical fields. The fellowships would be available to qualified junior and senior scientists and other technical personnel who for limited terms would serve in research or technical advisory management positions for development programs administered by the Agency.

FOOD FOR PEACE SHIPMENTS

The Committee understands that, as of July 24, some $50 million in PL–480 Title II Food for Peace funds appropriated for fiscal year 1986 had yet to be obligated.

The Committee believes the PL–480 funds should be used in their entirety for the purpose for which they were appropriated, which is for U.S. food and agricultural commodity aid where needed in developing countries abroad, and that the remaining unobligated amounts should be obligated this fiscal year.

The Administration's action in this matter makes commitment of the remaining $50 million unlikely within a timely manner. Failure to commit these funds in the current fiscal year will adversely affect American farmers, American ports and shippers, and hungry children abroad, and in light of the Administration's stated commitment to solving current agricultural commodity surplus problems largely through export, the Committee strongly urges the Agency for International Development to take whatever extraordinary steps that may be necessary to ensure purchase and export of these commodities under the program up to the full amount appropriated for fiscal year 1986.

DEOBLIGATION/REOBLIGATION AUTHORITY

The Committee has supported deobligation/reobligation authority for AID for many years now despite the failure of the Administration to request this authority. Again this year, the Committee has included the deobligation/reobligation authority for AID and has included the Congressional Budget Office estimate for budget authority of $100,000,000.

The Committee continues to be concerned that the Administration has failed to recognize the management importance of this authority. The Grace Commission recommended even broader deobligation/reobligation authority than the Congress has provided. The importance of this authority is reflected in its significant use since 1983. The table below details this use and also the difficulty in accurately scoring this activity for budgetary purposes:

[In millions of dollars]

Fiscal year	Deobligations	Reobligations	Budget authority
1983	169	12	100
1984	206	[3] 301	55
1985	140	46	25
1986	[1] 18	[2] 150	5

[1] Deobligated as of April 30, 1986.
[2] Available for reobligation during fiscal year given April 30 level of deobligations.
[3] $24,000,000 returned to the Treasury.

The Committee has addressed the deobligation/reobligation scoring issue directly by providing that AID functional development assistance funds be made available until expended and also by requiring that these funds be initially obligated during the fiscal year. This approach will remove the requirement for scoring reobligations of fiscal year 1987 funds.

The Committee notes that funds not used for the original purpose of their obligation to the military trust fund are not reappropriated or scored when they are used for another purpose nor have they been returned to the Treasury. The Committee's action, if continued in future years would make the budgetary scoring of the reuse of functional development assistance and military funds consistent.

OPERATING EXPENSES FOR INSPECTOR GENERAL, AGENCY FOR INTERNATIONAL DEVELOPMENT

Fiscal year 1986 (adjusted) level	$20,145,000
Fiscal year 1987 request	21,750,000
Committee recommendation	18,189,000

The Committee recommends $18,189,000, a reduction of $1,956,000 from the fiscal year 1986 adjusted level and $3,561,000 from the fiscal year 1987 budget request. This funding recommendation is based on a reduction fr[illegible]he fiscal year 1986 adjusted level.

HOUSING AND OTHER CREDIT GUARANTY PROGRAM

(LIMITATION ON GUARANTEED LOANS)

Fiscal year 1986 (adjusted) level	($145,464,000)
Fiscal year 1987 request	
Committee recommendation	(145,464,000)

The Committee recommends ($145,464,000), the same level as the FY 1986 adjusted level and an increase of ($145,464,000) from the FY 1987 budget request. This funding recommendation is based on providing the same level of guaranteed loan limitations as provided in FY 1986 (adjusted).

The Committee fails to understand why the Administration did not request additional guaranteed loan authority for the Housing Investment Guaranty Program. The program stimulates greater savings through increased homeownership in developing countries and expands access to formal credit systems particularly to lower income households. The program is considerably less costly to the United States than other forms of development assistance loans and grants, and it supports efforts to strengthen private sector programs.

The Committee hopes that in the future the Administration will reevaluate its position, on the Housing Investment Guaranty Program and request guaranteed loan limitations for this program.

(LOAN RESERVE)

Fiscal year 1986 (adjusted) level	
Fiscal year 1987 request	$10,000,000
Committee recommendation	

The Committee recommends no funding for the Housing Investment Guaranty Program loan reserve. This recommendation is $10,000,000 less than the FY 1987 budget request.

The Committee strongly supports the Housing Investment Guarantee Program but is concerned about the continuing need to fund its loan reserve due to international debt reschedulings. Due to budget constraints in FY 1987 which are likely to continue in the future, new funds for the loan reserves compete for funding with programs which have been deeply cut already.

The Committee therefore as a precaution has provided for emergency borrowing authority for FY 1987. If it becomes necessary, loan reserve funds may be borrowed in such amounts as may be necessary under the provisions of 223(e)(2) of the Foreign Assistance Act of 1961, as amended.

ECONOMIC SUPPORT FUND

Fiscal year 1986 (adjusted) level	$3,540,642,000
Fiscal year 1987 request	4,093,800,000
Committee recommendation	3,196,798,000

The Committee recommends $3,196,798,000, a reduction of $343,844,000 from the FY 1986 adjusted level and $897,002,000 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

ISRAEL

The Committee has earmarked $1,200,000,000 in Economic Support Funds for Israel. Because of the importance in following through on Middle East Peace agreements, and the strategic importance of relations between Israel and the United States, the Committee has recommended that funding for Israel be provided at the FY 1987 request level.

The Committee has recommended that the Economic Support Funds for Israel be provided as a cash grant within thirty days of approval of the FY 1987 bill or by October 31, 1986 whichever is later.

The Committee is pleased to note the progress that the Government of Israel has made over the past year toward improving its economic situation.

Under the recovery program initiated by the national unity government last year, a number of significant improvements have taken place. According to reliable reports, inflation is down, the budget situation has improved, unemployment has remained stable, reduced oil prices have saved the country between $300 and $400 million and, with the help of the $1.5 billion supplemental economic aid provided by the U.S. last year, foreign reserves are up.

Although the Israeli government will have to take further steps, including additional budget deficit reductions, the combination of U.S. assistance and Israel's own efforts have brought about a significant improvement in the economy of a major U.S. friend and ally.

EGYPT

The Committee has earmarked not less than $815,000,000 in Economic Support Funds for Egypt. Of this amount $115 million is to be provided as a cash transfer. The cash transfer should be used for development projects and economic reform beyond what Egypt would otherwise be doing.

The Committee has included language in the bill which allows the Executive Branch to provide higher levels of cash transfer for Egypt than the $115 million now authorized. Higher cash transfer levels could be derived from funds appropriated for Egypt for FY 1987 or from deobligations of FY 1986 and prior year funds.

The Committee notes with concern the continued deterioration in the Egyptian economy, reflected in large current account deficits, large balance of payments deficits, economic distortions and increasing difficulties in meeting debt payments. These problems are due in part to external factors such as the decline in world oil prices and the concomitant loss of foreign exchange earnings through remittances, oil exports, and Suez Canal revenues.

The Committee believes that long-term economic viability in Egypt can best be achieved by fundamental economic reform. The Committee encourages the Egyptian government to undertake a comprehensive reform program, and believes the composition of economic assistance, including the amounts of cash transfer, should be designed to help meet requirements generated by implementation of such a comprehensive economic program.

One of the ways in which the Executive Branch and Egypt have discussed increasing U.S. support for the reform program would be to increase the direct cash transfer the U.S. provides Egypt. The Committee has provided bill language that allows, through the Committee notification process, the flexibility for the Administration to work out a transfer program with the Government of Egypt.

The Committee expects that this freedom to provide cash transfer will only be used in conjunction with significant economic reforms, and will review carefully any reprogramming notifications to ensure that the reform process is moving ahead.

PAKISTAN

The Committee has earmarked $250,000,000 in Economic Support Funds for Pakistan. The amount recommended is the same as the FY 1987 request.

IRELAND

The Committee has earmarked $50,000,000 in Economic Support Funds to be made available for the United States contribution to the International Fund established based on a November 15, 1985 agreement between the United Kingdom and Ireland. In providing $50 million in economic support funds to the International Fund it is the intention of the Committee that the assistance will be provided as a cash contribution for the purpose of capitalizing the Fund.

The International Fund will serve to provide an incentive for economic development and reconciliation in Ireland and Northern Ireland. It is the feeling of the Committee that U.S. support for the fund is essential in order to meet the goals established by the agreement between Ireland and the United Kingdom.

CAMP DAVID ACCORDS

The Committee has included bill language that indicates that it is the sense of Congress that the recommended levels of assistance for Egypt and Israel are based in great measure upon their continued participation in the Camp David Accords and upon the Egyptian-Israeli peace treaty. The bill language also urges Egypt and Israel to continue their efforts to restore full diplomatic relations, including exchange of ambassadors, and to achieve realization of the Camp David Accords.

MIDDLE EAST REGIONAL COOPERATION PROGRAM

The Committee strongly believes that lasting peace in the Middle East will be built not only on successful diplomacy, but on reducing the deep-seated fear and mistrust among the peoples of the region.

It thus endorses the Middle East Regional Cooperation program (MERCP), which promotes joint research by Arab and Israeli scientists. The superb performance of the MERCP, both in concrete scientific gains and in fostering relationships between Egyptian and Israeli scientists, was documented this year during congressional hearings. The Committee believes that regional cooperation as an approach to peace is underutilized, not only in the Middle East but throughout the world.

The Committee regrets that in fiscal year 1986, AID cut the MERCP's budget from the requested $5.8 million to under $3 million. This year, AID has again requested $5.8 million for the program. The Committee believes strongly that this amount should be available for FY 1987 projects. If AID wishes to increase the size of the program by making some of its grants contingent on a project's raising additional funds through private donations, the Committee would support that policy.

OMAN

The Committee believes that for the next year it is important to maintain the ESF levels for Oman as high as possible and as close to the requested level even if this means that for FY 1987 the FMS program for Oman is drastically reduced or even eliminated.

WEST BANK PROJECTS

The Committee has earmarked up to $15,000,000 for Jordan in support of Jordan's newly announced development progam for the West Bank. These funds are in addition to ESF funds otherwise provided for Jordan in the bill. Jordan has presented its first comprehensive development plan for the West Bank since the 1967 War, a program principally funded by Jordan's own spending on education, agriculture and industry for Palestinians in the West Bank. Jordan plans to spend $150 million per year and has asked the United States to support this program financially.

The Committee has identified $15 million in FY 1987 funds in order to support efforts to promote the quality of life for the Palestinians on the West Bank.

EL SALVADOR

The Committee has provided up to $1 million in ESF funds to continue efforts to assist the Government of El Salvador's Special Investigative Unit to bring to justice those responsible for the murders of U.S. citizens in El Salvador. The Committee provided funding for this purpose in last year's bill, but foresees the need for continued funding in FY 1987. The Committee is concerned that the pace of investigations in El Salvador appears to only now be proceeding on an accelerated basis. Adequate funding for this investigation has been made, and the Committee expects the Investigative Unit to proceed expediently with the investigation.

The Committee has included prior year bill language that requires that Economic Support Funds provided to El Salvador be placed in a separate account with the Central Reserve Bank of El

Salvador. This requirement provides improved monitoring and administration of the ESF program.

ADMINISTRATION OF JUSTICE PROGRAM

The Committee has included prior year bill language that earmarks up to $20 million in Economic Support Funds for the Administration of Justice Program.

ECUADOR

The Committee shares a strong commitment to assist the Government of Ecuador as it attempts to restructure Ecuador toward a free-market economy. The Committee recognizes that President Febres Cordero has taken bold steps to resolve Ecuador's foreign debt problem, and to eradicate cocaine production.

The Committee recognizes that the rapid and unexpected drop in oil prices will reduce Ecuador's foreign exchange earnings and fiscal revenues by about 30%. Because Ecuador has already adopted many of the belt-tightening measures recommended by the international financial institutions, its options to address the oil crisis are limited.

The Committee urges the Administration to provide economic support to Ecuador to the full extent possible, based on the Administration's request for $15 million in ESF for the FY 87. The Committee also recognizes that AID has the independent authority to transfer deobligated funds to Ecuador under the provision permitting reobligation of funds to the Andean region from deobligations from other countries.

Finally, the Committee notes that this year's bill reflects an increased commitment to halting international drug-trafficking, including rewarding those nations that have taken positive steps to eliminate drug production. Ecuador deserves serious consideration to be rewarded for its almost complete eradication of domestic cocaine production.

PRIOR YEAR CENTRAL AMERICAN FUNDS

The Committee has included bill language that clarifies that such funds as may become available for Central America for FY 1987 shall be included within the FY 1987 "Economic Support Fund" total provided under the FY 1987 Foreign Assistance Appropriations Act. The House passed FY 1987 Military Construction Bill includes a title that could result in up to $200 million in budget authority for Economic Support Funding for Central America being scored against the FY 1987 Foreign Assistance bill. The Committee has included this language in order to be certain that the Committee's 302(b) budget allocation will not be exceeded.

HONDURAS

The Committee is concerned that Honduras has not taken sufficient steps to initiate economic reform measures in the country. Although preliminary agreements between Agency for International Development and the Government of Honduras called for the release of FY 1986 ESF funds as economic reform measures were initiated, AID proceeded to release funds without the economic reform measures taking place. The Committee questions both the consistency and motives of these procedures on the part of AID.

The Committee requests that prior to the obligation of FY 1987 funds allocated to Honduras, AID provide a report on the economic reforms being sought in Honduras and the projected timing for the release of FY 1987 funds.

SOUTH AFRICA

The Committee is concerned about past difficulties experienced by the Agency for International Development in its attempts to provide assistance to victims of apartheid in South Africa.

These difficulties revolve around the black community's rejection of AID's efforts because groups which were either white-led or that little community support had been involved in consultative and other capacities.

In an attempt to address the view of black South Africans that if they are to benefit from any AID efforts, their leaders would have to be full participants in as many stages as possible, the Committee recommends that future projects for the victims of apartheid be selected in consultation with truly representative leaders of the black community.

The Committee feels that any groups so involved should be under the leadership and control of those disadvantaged by apartheid, and should not be conducted by or controlled through organizations financed/controlled by the Government of South Africa or other white institutions.

In order to be appraised on how AID is carrying out these recommendations, the Committee has included bill language that requires that projects for South Africa be submitted through the Committee's notification process.

CYPRUS

The Committee is in strong support of a negotiated solution to the settlement of differences between the Greek and Turkish communities on Cyprus. In this regard, the Committee supports the Secretary General of the United Nations in his efforts to negotiate such a solution. The Committee encourages both countries to continue to negotiate with the Secretary General in order to establish a negotiations framework and process aimed at achieving a fair and final settlement.

The Committee remains concerned about the continuing lack of progress toward a political settlement on Cyprus that would promote peace, stability and reconciliation between the Greek and Turkish Cypriot communities. While the responsibility for such a settlement rests primarily with those island communities, Turkey and Greece must also play a constructive role. For example, implementation of such a settlement must include, along with political and security guarantees for the minority, the withdrawal of Turkish troops from Cyprus. The Committee urges the Administration to use its influence with both Turkey and Greece to encourage a renewed effort at resolving the Cyprus problem.

The Northern Turkish-controlled part of the island has proclaimed independence and has allowed a large number of mainland Turkish residents to immigrate to Cyprus. More immigrants to the island will only worsen the problem of reunification which someday must be negotiated.

SOMALIA

Because of new refugee influx and economic restraints, Somalia is facing great austerity this coming year. It is recommended that the Administration take the special situation in Somalia into consideration when allocating aid among the African countries.

SRI LANKA

It has been brought to the attention of the Committee that some U.S. investors in Sri Lanka have been unable to reach a resolution of outstanding investment disputes with the Government of Sri Lanka. The Committee hopes that the Government of Sri Lanka will seek an equitable resolution of the claims of Enterprise Development, Inc., a U.S. investor, and urges the Department of State to assist by urging the parties to agree to either a financial settlement or international arbitration.

TUNISIA

While the Committee has refrained from including language in the bill earmarking funds for a number of countries, it is strongly recommended that the Administration exercise special concern for Tunisia in the allocation of funds. The United States has enjoyed a valued relationship with this strategically located nation since its independence, and Tunisia is now threatened by economic conditions beyond its control and by its hostile neighbor, Libya. It is important at this juncture that the United States restate its support and friendship with Tunisia with sufficient economic assistance.

CARIBBEAN BASIN INITIATIVE

The Committee supports the goals of the Caribbean Basin Initiative. It sympathizes with the economic plight of many Caribbean countries, and wishes to encourage their continued progress toward democracy. The Committee understands the importance of avoiding regional instability in an area quite literally on our doorstep.

While significant reductions in Economic Support Fund assistance have been necessitated by a compelling need to reduce our deficit at home, none of the Caribbean countries have been singled out for reductions in ESF, and it is not the intention of the Committee that the smaller amounts provided for ESF worldwide in any way imply a lack of sympathy either with the economic needs or progress toward democracy in the area.

ENGLISH-SPEAKING CARIBBEAN

The Committee is concerned that the English-speaking Caribbean has traditionally not been among the major beneficiaries of various American economic initiatives overseas.

The Inter-American Foundation, AID, the Caribbean Basin Initiative, and the Kissinger Commission on Central America notwithstanding, these island-states have basically been overlooked. It is the Committee's view that the size of these island-states has led to the erroneous conclusion that greater attention is not necessary. Our experience with Grenada provided some important insights into the consequences of benign neglect—both local as well as international.

Precisely because these countries are so small, the dollar, manpower, and time investment required for a show of genuine concern would be miniscule from the American perspective, while quite significant from the perspective of the recipient nations. The Committee considers it in U.S. interests that a more meaningful American approach be adopted to enhance the socio-economic conditions of the English-speaking Caribbean. In light of this, the Committee requests the Agency for International Development to assess current bilateral programmatic activities in the region, with a view to strengthening, *inter alia*, the educational, agricultural, and commercial infrastructure of the region.

CENTRAL AMERICAN RURAL ELECTRIFICATION SUPPORT

The Committee recommends that AID undertake the Central American Rural Electrification Support project (597-0010) at adequate levels of funding over the next five years.

BELIZE

The Committee is pleased that in Guatemala's 1986 Constitution, its territorial claim to the country of Belize has been deleted.

Sec. 703(q) of the International Security and Development Cooperation Act of 1985 (PL-99-83) expressed the sense of Congress that the United States use its good offices to influence and encourage the Government of Guatemala to recognize the independence of Belize, and to enter into a non-aggression treaty with Belize.

The President is requested to certify, no later than January 12, 1987, on what concrete steps have been taken in this regard.

SUPPORT FOR DRUG CONTROL EFFORTS

The Committee has included a provision in the bill that earmarks $20 million in economic support funds for countries that are making substantial progress in illicit drug control. The provision was included in order to provide a positive incentive for countries to accelerate programs for illicit drug control.

The Committee has limited the use of economic support funds for this purpose to countries that are receiving assistance through the International Narcotics program. The President is given the authority to allocate the $20 million in funds under this program through the fifteen day notification process to Congress. This notification is to contain a specific explanation of the progress the recipient country is making in illicit drug control and a justification for the amount of economic support funds that are to be provided.

SEPARATE ACCOUNT FOR ECONOMIC SUPPORT FUNDS

The Committee has recommended bill language that requires that Economic Support Fund cash transfer assistance exceeding a total of $5,000,000 be placed in separate accounts. This provision is discussed further earlier in the report under items of special interest.

TIED AID CREDITS

The Committee has included bill language identical to last year's continuing resolution that requires that the AID program for tied aid credit be proposed through the regular notification procedures. This provision has been included because of the possibility of conflict between AID tied aid programs and programs planned either through the Treasury or Ex-Im Bank.

CENTRAL AMERICAN SCHOLARSHIP PROGRAMS

In allocating funds appropriated for educational programs high priority should be given to support for Central American scholarship programs under which disadvantaged students from Central America and Panama continue their education in the United States. The Committee encourages the use of ESI funds in addition to funds included in the Education and Human Resources, Development Assistance account.

INFORMATION CONCERNING ESF

The Committee believes it is necessary to have a more complete background on the use of Economic Support Funds. AID is to provide with its annual budget submission a summary of the dollar amount and the percent of the total ESF request for each of the following categories: (1) project type support, (2) Commodity Import Program, (3) cash, balance of payments, (4) any additional category. The listing for FY 1987 should have a prior year perspective beginning with fiscal year 1981.

INDEPENDENT AGENCIES

AFRICAN DEVELOPMENT FOUNDATION

Fiscal year 1986 (adjusted) level	$3,706,000
Fiscal year 1987 request	6,500,000
Committee recommendation	3,872,000

The Committee recommends $3,872,000, an increase of $166,000 from the FY 1986 adjusted level and a reduction of $2,628,000 from the FY 1987 budget request. This funding recommendation is consistent with the authorized level for the African Development Foundation.

The Committee continues to be pleased with the progress being made by the African Development Foundation in providing assistance to Africa's indigenous poor. In the short time that the Foundation has been in operation it has proved its ability to implement meaningful projects at the grassroots level.

INTER-AMERICAN FOUNDATION

Fiscal year 1986 (adjusted) level	$11,454,000
Fiscal year 1987 request	10,800,000
Committee recommendation	11,800,000

The Committee recommends $11,800,000, an increase of $346,000 from the FY 1986 adjusted level and $1,000,000 more than the FY 1987 budget request.

IAF FUNDING FOR HAITI

The Committee, in accordance with its special assistance package for Haiti has provided the Inter-American Foundation an additional $1,000,000 above the Administration's request to assist the Haitian people in their transition to democracy. Indigenous private voluntary organizations have played a significant role in community and rural development in Haiti. The Committee is aware of the Foundation's contributions in this area and consequently intends to provide increased assistance during this transitional period in Haiti.

OVERSEAS PRIVATE INVESTMENT CORPORATION

(LIMITATION ON DIRECT LOANS)

Fiscal year 1986 (adjusted) level	($13,637,000)
Fiscal year 1987 request	(15,000,000)
Committee recommendation	(23,000,000)

(LIMITATION ON GUARANTEED LOANS)

Fiscal year 1986 (adjusted) level	($136,372,000)
Fiscal year 1987 request	(150,000,000)
Committee recommendation	(200,000,000)

The Committee recommends a limitation of ($23,000,000) in direct loans and ($200,000,000) in guaranteed loans. The Committee is particularly interested in having both of these programs apply to U.S. investments in Northern Ireland.

The recommended limitation is $9,363,000 in direct loans and $63,628,000 in guaranteed loans above the FY 1986 adjusted levels.

The Overseas Private Investment Corporation (OPIC) is a government owned corporation that motivates and facilitates the participation of U.S. capital and assists in the development of less developed countries. OPIC's programs include political risk insurance, limited amounts of loan guarantees and direct loans and reinsurance operations.

The Committee has been impressed by testimony from the Overseas Private Investment Group that OPIC's Investment Guarantee and Direct Loan programs have been fully utilized over the past five years, with demand exceeding supply. OPIC reports that approximately 70 percent of their loans have gone to small U.S. businesses. In the past five years OPIC reports that 50 percent of its financed projects have gone to developing countries with under $700 GNP per capita. OPIC estimates that over 22,000 new jobs have been created in developing countries through OPIC projects in the past five years.

In order to provide OPIC with the ability to meet FY 1987 estimates for guarantees and loans, the Committee has recommended funding above the FY 1987 request level. The Administration should review the program to determine whether future requests should be higher in order to meet demands.

The Committee is surprised to learn that the Administration is considering phasing out the public nature for the Overseas Private Investment Corporation. The FY 1987 budget appendix states, "The Administration has decided that the Corporation should be privatized. During 1986, the Administration will evaluate alternative means of achieving this objective." The privatization of OPIC seems to be inconsistent with the Administration's proposal to establish the new public Multilateral Investment Guaranty Agency.

INDEPENDENT AGENCY

PEACE CORPS

Fiscal year 1986 (adjusted) level	$124,410,000
Fiscal year 1987 request	126,200,000
Committee recommendation	130,000,000

The Committee has recommended funding for the Peace Corps above the FY 1986 adjusted level and the FY 1987 request in order to assure that the Peace Corps can sustain its level of operation throughout the world. The Committee strongly supports the work of the Peace Corps and believes the Administration should assure that future funding requests are adequate to meet Peace Corps needs. Further, the Committee urges the Administration to consider expanding the Peace Corps during the coming decade and providing educational and other benefits to returned volunteers, similar to those offered for completion of military service.

DEPARTMENT OF STATE

INTERNATIONAL NARCOTICS CONTROL

Fiscal year 1986 (adjusted) level	$55,055,000
Fiscal year 1987 request	65,445,000
Committee recommendation	65,445,000

The Committee recommends $65,445,000, an increase of $10,390,000 from the FY 1986 adjusted level and the same level as the FY 1987 budget request. This funding recommendation is based on the FY 1987 budget estimate.

The Committee feels that programs for the international control of narcotics are an essential part of the U.S. foreign assistance efforts, and that steps should be taken to strengthen the program. Therefore, the Committee has fully funded the program at the FY 1987 level.

A detailed explanation of the Committee's approach for International Narcotics control can be found under the Items of Special Interest, earlier in the report.

BOLIVIA

The Committee congratulates the Government of Bolivia for entering into a joint U.S. Government/Bolivia action directed toward finding and destroying illicit coca production laboratories. The action is a good first effort by the Government in a much needed program for illicit drug control in Bolivia.

The Committee notes that the eradication of coca in Bolivia is a goal that still must be met. The interdiction methods that have been taken should be seen as an important element in the eradication process. Already there is evidence of decreased markets of coca in Bolivia, and hopefully the interdiction efforts will result in a major coca eradication program

The Committee believes that the Bolivian interdiction efforts should be considered as an important part of that country's eradication program.

MIGRATION AND REFUGEE ASSISTANCE

Fiscal year 1986 (adjusted) level	$324,356,000
Fiscal year 1987 request	347,525,000
Committee recommendation	347,525,000

The Committee recommends $347,525,000 an increase of $23,169,000 above the 1986 adjusted level, and the same level as the FY 1987 budget request.

The Committee has also provided bill language that earmarks $25 million in Migration and Refugee Assistance funds to be used for the continuing increase in Soviet, Eastern European and other refugees resettling in Israel. Additionally, prior year language on Communist infiltration into the Western Hemisphere and equitable treatment of all refugees has been retained in the bill.

EMERGENCY REFUGEE AND MIGRATION ASSISTANCE FUND

Fiscal year 1986 (adjusted) level	....
Fiscal year 1987 request	$25,000,000
Committee recommendation	25,000,000

The Committee recommends $25,000,000, the same level as the FY 1987 budget request.

The Emergency Refugee and Migration Fund has been used extensively during the past year and additional funding is required in FY 1987 to bring the fund to its authorized level. The Committee has recommended funding of the requested $25 million, and has made the funds available until expended.

ANTI-TERRORISM ASSISTANCE

Fiscal year 1986 (adjusted) level	$7,101,000
Fiscal year 1987 request	9,840,000
Committee recommendation	9,840,000

The Committee recommends $9,840,000 an increase of $2,739,000 from the FY 1986 adjusted level and the same level as the FY 1987 budget request.

The Committee has made no reduction in the anti-terrorism account due to the urgent need to strengthen anti-terrorism programs and activities.

PEACEKEEPING OPERATIONS

Fiscal year 1986 (adjusted) level	$32,538,000
Fiscal year 1987 request	39,000,000
Committee recommendation	29,378,000

The Committee recommends $29,378,000, a reduction of $3,160,000 from the FY 1986 adjusted level and $9,622,000 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

The Committee continues to be concerned that the Cyprus peacekeeping force program is continuing to operate at a financial deficit, which the United States essentially has been absorbing. The deficit situation has occurred because of the limited number of countries that are actually contributing to the peacekeeping operation. Although the Committee raised this concern with the State Department last year, little or no action has been taken to resolve the situation.

In order to address the deficit situation of the Cyprus peacekeeping force the Committee has included language in the bill that not more than half of the funds allocated for the United Nations Force in Cyprus may be obligated for the United States contribution to that Force until the Secretary of State submits a report to the Congress detailing how the United States and other contributing countries plan to eliminate the financial deficit of that Force.

TITLE III—MILITARY ASSISTANCE

FUNDS APPROPRIATED TO THE PRESIDENT

MILITARY ASSISTANCE PROGRAM

Fiscal year 1986 (adjusted) level	$748,374,000
Fiscal year 1987 request	1,046,450,000
Committee recommendation	675,697,000

The Committee recommends $675,697,000, a reduction of $72,677,000 from the FY 1986 adjusted level and $370,753,000 from the FY 1987 budget request. This funding recommendation is consistent with overall and additional reductions that have been made in light of current budget constraints.

The Military Assistance Program (MAP), which has grown dramatically during the past five years, provides defense articles and related services on a grant basis to eligible countries. In this form the MAP program was the dominantly funded program in security assistance in the 1950s and 1960s but declined after the war in South East Asia, while Foreign Military Sales (FMS) credit financing and FMS cash sales increased.

The MAP program was originally scheduled to terminate at the end of FY 1981, and no country programs were to be requested for FY 1982 and FY 1983. Instead, the Administration sought, for both years, FMS credits provided at concessional interest rates (interest rates far below market rates) depending upon the economic conditions among recipient countries.

In FY 1982, however, the FMS funding was converted to a combination of MAP grants, used to fund the purchase of defense articles and defense services, and FMS guaranteed credits at prevailing interest rates. $178.5 million was appropriated in MAP funds, and $140 million for FMS.

For FY 1983, the Administration initially proposed concessional FMS direct credits and no MAP grants, but revised its request in favor of a MAP program of grants to assist countries to purchase defense articles and services and increased levels of FMS guaranteed credits. The budget requests for MAP in FY 1983 totalled $557,000,000 with a final actual appropriation of $383,325,000.

For FY 1984, the Administration initially requested an increase in MAP funding to $747,000,000 in order to provide increased resources for economically depressed countries. An additional $259,050,000 was requested in FY 1984 supplemental action. Fiscal year 1984 total MAP appropriations were $773,500,000.

For FY 1985, the Administration requested a further increase in the MAP program to a total of $924,500,000. At the same time, the Administration requested a concessional guaranteed loan program of $538,500,000. The Committee recommended $653,100,000 for the MAP program and $398.5 million in concessional guaranteed loans.

The FY 1986 Administration request for MAP was $949,350,000 or an increase of 18 percent above the FY 1985 appropriations. The concessional loans request totalled $650,700,000.

Congress approved MAP funding in the amount of $782,000,000 which was later adjusted, due to the Gramm-Rudman legislation to $748,374,000. Concessional loans were approved at a level of $553,900,000 plus concessional funding for Greece.

The FY 1987 MAP request of $1,046,450,000 represents a 28.5 percent increase in MAP funding. Concessional loans are requested at $775,000,000 or a 40 percent increase.

The Committee will continue to carefully examine the need for additional funds within the grant MAP account and the concessional FMS program.

NARCOTICS CONTROL

The Committee has earmarked $10 million within the MAP account for the procurement of aircraft involved in narcotics control efforts. It appears that one of the greatest problems associated with strengthening the narcotics control program is the need for additional aircraft to deal with both eradication and interdiction efforts, specifically the elimination of narcotics processing laboratories.

The Committee wishes to make it clear that any aircraft provided with these funds will be used solely for anti-narcotics eradication and interdiction programs, and only in countries receiving assistance through the International Narcotics Control program. The Committee notes that past GAO reports have indicated that U.S. Government agencies have difficulty monitoring the actual uses to which aircraft provided for narcotics control activities have been used. Before any aircraft is acquired under this authority the Committee directs the Bureau for International Narcotics Matters to submit a report that shows how end-use monitoring will be accomplished.

Funding has been provided within MAP funding for these helicopters based on the Committee's belief that adequate Narcotic Control programs are an important part of U.S. security interests. The overall concerns associated with narcotics control are discussed further in the Items of Special Interest section earlier in the report.

Last year the FY 1986/87 authorization law for foreign assistance provided the use of $1 million for the arming, for defensive purposes, of aircraft used in narcotic control, eradication, or interdiction efforts. The Committee supports the need for this program, but also believes that there are not enough helicopters and other aircraft available to meet the narcotic control needs.

ADMINISTRATIVE EXPENSES

The Committee has recommended bill language that places a limitation of $34,400,000 on the administrative expenses for the Military Assistance pogram. The Committee feels that administrative expenses for the military portion of this bill should have the same review as administrative expenses for the Agency of International Development, and therefore has included this new provision. The amount recommended represents a reduction from the FY 1986 adjusted estimate for MAP administrative expenses. The reduction is based on the similar reduction recommended by the Committee for AID operating expenses.

HAITI

The Committee is concerned with the transition to democracy in Haiti. The Committee believes that substantial progress must be made in organizing, reforming, training, and equipping those forces which perform civil police, border control and defense functions in Haiti. Nevertheless, at the same time, the Committee is very much aware of the history of human rights abuses and corruption within those same forces. Consequently, the Committee has placed all military assistance for Haiti subject to the notification process.

It is the intent of the Committee that the purposes of U.S. military assistance to the Haitian Armed Forces shall be to assist and promote the reform and reorganization of the mission, command and control structures of these Forces consistent with a transition to and maintenance of democracy and the promotion and protection of human rights. In part, this assistance shall be used in order to provide education and training with respect to internationally recognized human, civil, and political rights essential to democracy. Assistance may also be used for other appropriate forms of education and training and for non-lethal assistance, such as transportation and communications equipment, uniforms and housing.

Prior to the approval of any specific notification for military assistance for Haiti, the Committee requires that the President certify to the Congress that the Government of Haiti has submitted a formal request to the United States for assistance and has included a comprehensive plan for the reform and reorganization of the mission, command, and control structures of the Haitian security forces consistent with a transition to democracy, the rule of law, and a constitutional government. Such a plan should include a publicly announced commitment by the Armed Forces of Haiti to abide by international human rights standards and adoption of a code of conduct to adhere to these standards.

In considering notifications the Committee will carefully consider information concerning progress that has been made toward (1) removing from the Armed Forces and prosecuting, in accordance with due process, those military personnel believed to be guilty of human rights abuses and corruption; (2) implementing and enforcing the Haitian government's policy requiring former members of the Volunteers for National Security [VSN] to turn in their weapons; (3) investigating the killings of unarmed civilians in Gonaives, Martissant, and Fort Dimanche, and identifying and prosecuting, in accordance with due process, those believed to be guilty.

It is further the intent of the Committee that military assistance for Haiti will be considered in traunches, thereby providing the Committee the ability to regularly monitor Haitian compliance with these issues.

TURKEY

The Committee is concerned about reports from the Aydin Corporation concerning the expropriation of its investments in a joint venture involving the Turkish government and the production of defense related items, despite valid contract documents. The Committee requests that the Departments of State and Defense jointly study this situation and the applicability of Section 620(e) of the Foreign Assistance Act of 1961 as amended and report to the Committee. The Committee strongly urges the resolution of this situation by the Government of Turkey as soon as possible.

GUATEMALA

The Committee believes that if military assistance funds are provided to Guatemala in FY 1987 approximately $10,000,000 should be used for the procurement of mobile medical facilities and related training and maintenance.

EMERGENCY EQUIPMENT FOR HONDURAS

On March 24, 1986 the President informed Congress that he was using his authority under Section 506(a) to provide $20 million in emergency military equipment to Honduras. The action was taken, according to the Administration, based on the incursion of Nicaragua military personnel into Honduras from Nicaragua.

According to information provided by the Administration most of the equipment arrived after the incursion had taken place. It appears also that much of the equipment actually provided may not have related directly to the incursion.

The Committee directs that the Department not use FY 1987 MAP funds to repay any costs associated with the emergency equipment drawdown. This drawdown should be absorbed within the Defense Department's equipment procurement program.

REPORTS ON EL SALVADOR

The Committee has included bill language that requires that reports on El Salvador that are submitted to the authorizing committees also be submitted to the Committees on Appropriations.

POLICE FORCES IN HONDURAS AND EL SALVADOR

The Committee has included language in the bill that requires that the notification process to the foreign affairs committees concerning the use of funds for police forces in Honduras and El Salvador also be applicable to the Committees on Appropriations.

INTERNATIONAL MILITARY EDUCATION AND TRAINING

Fiscal year 1986 (adjusted) level	$52,146,500
Fiscal year 1987 request	68,830,000
Committee recommendation	47,082,000

The Committee recommends $47,082,000, a reduction of $5,064,500 from the FY 1986 adjusted level and $21,748,000 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

IMET FOR HIGH INCOME COUNTRIES

The Committee continues to be concerned over the Administration's request for funds for International Military Education and Training for countries with per capita income exceeding $5,500. Although this issue was raised in last year's report, it appears that the Administration has done little to address these concerns. If in the future the Administration includes IMET funding for high income countries (GNP per capita exceeding $5,500) the Committee wants the Defense Security Assistance Agency to provide a specific justification for the request. Additionally, the Committee wants the Department to provide, prior to obligating FY 1987 funds, justification for any FY 1987 obligation for IMET funds in high income countries.

FOREIGN MILITARY CREDIT SALES

Fiscal year 1986 (adjusted) level	$4,966,830,000
Fiscal year 1987 request	5,611,000,000
Committee recommendation	4,264,744,284

The Committee recommends $4,264,744,284, a reduction of $702,085,716 from the FY 1986 adjusted level and $1,346,255,714 from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints and reductions necessary to comply with credit budget ceilings.

CONCESSIONAL LOANS

The Administration has requested and the Committee has recommended concessional guaranteed loan financing for selected countries. The Committee has long felt that continuing to provide FMS market rate guaranteed loans to selected third world countries which are in particularly poor economic condition is inappropriate. The Committee has recommended concessional loans in the amount of $498,510,000.

The Committee has included prior year bill language that requires that all country and funding level changes from the congressional presentation in concessional allocations be submitted through the regular notification process of the Committees on Appropriations.

ISRAEL

The Committee has earmarked a total FMS program of $1,800,000,000 in forgiven loans. The Committee has also recommended $1,200,000,000 in grant Economic Support Funds in another section of the bill. These funds will provide a total security assistance program for Israel of $3 billion.

The Committee has included bill language that allows for up to $150,000,000 of the FMS funds available for Israel to be available for research and development in the United States for the Lavi program, if the Government of Israel requests that funds be used for this purpose. Also, the bill language stipulates that not less than $300,000,000 of the funds available under FMS be for the procurement in Israel of defense acticles and services, including research and development for the Lavi program and other activities, if requested by Israel. This language is identical to the bill language included in the FY 1986 Continuing Resolution.

The Committee has been assisting efforts by Israel over the past several years to develop a new generation aircraft, the Lavi, using U.S. and Israeli funds.

The Committee is concerned that a controversy has developed between the U.S. Department of Defense and the Goverment of Israel over the projected costs of bringing such an aircraft into production.

DOD and the General Accounting Office and the Government of Israel are currently undertaking studies on this project and the Committee looks forward to the completion of these studies as it continues to monitor the Lavi program.

EGYPT

The Committee has earmarked a total FMS program for Egypt of $1,300,000,000. Under the Economic Support Fund portion of the bill a total of $815,000,000 has been recommended, bringing the total security assistance program for Egypt to a level of $2,115,000,000. Through other legislation it is estimated that Egypt will receive $190,000,000 in the Food for Peace Program (P.L. 480). The IMET program will also provide $2,000,000. Altogether it is estimated that the United States will provide Egypt with total assistance of $2,300,000,000 in fiscal year 1987.

FOREIGN MILITARY SALES FOR EGYPT

The Committee is concerned in light of FMS budget stringencies, that in the process of replacing obsolete Soviet systems with American systems, sufficient resources may not have been devoted to follow-on support, maintenance and upgrading of equipment.

The Committee further notes that the U.S. Armed Forces have used existing statutory authority and appropriations provided for our national defense to undertake cooperative logistics projects in maintenance and follow-on support for U.S. equipment with companies in North Atlantic Treaty Organization (NATO) member countries. These projects have resulted in cost savings and other efficiencies for the United States and have enhanced the relationship among NATO allies. In some instances, such as the maintenance and upgrading of F-4 aircraft, European contracts are essential as there is not enough U.S. capacity to meet the demand.

The Committee encourages the Department of Defense to exercise maximum flexibility in allowing Egypt to utilize FMS funds to add on to existing logistics contracts or to contract separately in Europe for maintenance and support services for U.S. supplied equipment when such services offer not only clear cost savings and efficiencies for Egypt, but also beneficial recognition of the capabilities developed by our NATO allies.

PAKISTAN

The Committee has earmarked FMS funds in the amount of $340,000,000 for Pakistan.

GUATEMALA

The Committee wishes to point out several developments in Guatemala since President Cerezo was inaugurated in January. President Cerezo has made significant progress in a short time in improving the security and economic situation in Guatemala. He has taken important steps to clean up the police and security forces. He has recently overseen implementation of a comprehensive economic stabilization program which promises to promote economic growth and improve living standards for the poor.

Significant human rights progress has also been made. Although common crime continues to be a serious problem, human rights violations are down sharply. The Guatemalan Human Rights Commission, one of Guatemala's harshest critics, attests to this trend. An analysis of the GHRC's data for the first third of 1985 and 1986 reveals that political deaths are off 73% and abductions are down 66%. There is no evidence that President Cerezo, members of his cabinet, or the military leadership are involved in or condone political violence. President Cerezo appears to be doing his utmost to bring violence and common crime under control.

However, given Guatemala's extremely poor record on human rights over the years and reports that many problems of the past may still exist, the Committee has maintained a provision in the bill that follows authorizing legislation setting conditions for the use of MAP and FMS funds for Guatemala. The Committee believes that this action should be seen as one that encourages the positive trends in Guatemala initiated by President Cerezo to continue.

The provision in the bill prohibits MAP or FMS credit sales to Guatemala unless the President certifies to Congress:

(1) The elected civilian government is in power in Guatemala and has submitted a formal written request to the United States for the assistance, sales, or financing to be provided.

(2) The Government of Guatemala made demonstrated progress during the preceding year (A) in achieving control over its military and security forces, (B) toward eliminating

kidnapings and disappearances, forced recruitment into the civil defense patrols, and other abuses of internationally recognized human rights by such forces, and (C) in respecting the internationally recognized human rights of its indigenous Indian population.

GABON

The Committee is concerned by the fact that the Foreign Military Sales program for Gabon has been eliminated for FY 1986, and is concerned that budget pressures in FY 1987 might result in the same outcome. The Committee is seeking to avoid earmarking programs this year in order to give the Administration the greatest flexibility in allocating funds. The Committee expects, however, that in recognition of the stabilizing role which President Bongo plays in the region, and in light of the longstanding friendship between the United States and the Government of the Gabonese Republic, that the Defense Security Assistance Agency will provide Foreign Military Sales financing for Gabon in FY 1987.

GUARANTEE RESERVE FUND

The Committee again notes the lack of a request for the Guarantee Reserve Fund and expresses its concern over the existing level of these funds. The Committee notes that authority exists to borrow funds from the foreign military credit sales program if the reserve fund becomes overdrawn. The Committee will be negatively inclined to approve any supplemental funding for the reserve fund, if requested, given the failure of the Administration to request these funds in its original fiscal year 1987 budget.

Special Defense Acquisition Fund

(LIMITATION OF OBLIGATIONS)

Fiscal year 1986 (adjusted) level	($311,025,000)
Fiscal year 1987 request	(350,000,000)
Committee recommendation	(280,820,000)

The Committee recommends ($280,820,000), a reduction of ($30,205,000) from the FY 1986 adjusted level and ($69,180,000) from the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints.

TITLE IV—EXPORT ASSISTANCE

EXPORT-IMPORT BANK OF THE UNITED STATES

Limitation of Program Activity

(LIMITATION ON DIRECT LOANS)

Fiscal year (adjusted) level	($1,062,270,000)
Fiscal year 1987 request	0
Committee recommendation	(900,000,000)

(LIMITATION ON GUARANTEED LOANS)

Fiscal year 1986 (adjusted) level	($11,484,000,000)
Fiscal year 1987	(12,000,000,000)
Committee recommendation	(11,350,000,000)

(LIMITATION ON ADMINISTRATIVE EXPENSES)

Fiscal year 1986 (adjusted) level	($17,568,000)
Fiscal year 1987 request	(19,175,000)
Committee recommendation	(17,568,000)

(LIMITATION ON I MATCH PROGRAM)

Fiscal year 1986 (adjusted) level	0
Fiscal year 1987 request	$1,800,000,000
Committee recommendation	0

The Committee recommends a $900,000,000 limitation on direct loans, a reduction of $162,270,000 from the FY 1986 adjusted level and an increase of $900,000,000 above the FY 1987 budget request. This funding recommendation is consistent with overall reductions that have been made in light of current budget constraints and reductions necessary to meet credit allocation ceilings. The Committee recommends a $17,568,000 limitation on administrative expenses, the same level as the current year.

FUNDING

The Committee is a strong supporter of the programs of the Export-Import Bank. However, the Committee, much the same as last year, finds itself in an unusual position. The President has requested no budget authority for the direct loan program for the Bank. The Congress, as yet, has not passed legislation approving the creation of an I Match program. Additionally, this year the Congressional Budget Office has decided that the correct budgetary scoring for the I Match program, if it were approved, would be similar to that of the direct credit program ($1.8 billion). Finally, the Bank has indicated that it is unaware of any Executive Branch plans to submit a budget request for the direct loan program even though the I Match program has failed to gain Congressional approval. In short there is no Executive Branch request for new budget authoriy for the Bank.

Nevertheless, because of the strong support for the Bank and despite a significant cut in available funds, the Committee has provided a limitation of $900,000,000 for the direct loan program. The Committee believes that it is reasonable to expect an increase in demand for the direct loan program services in fiscal year 1987 due to the decline in the value of the dollar. The Committee directs the Administration to expend funds for the direct loan program in a manner sufficient to meet the demand for the program. The Committee fully intends to appropriate funds for the Export-Import Bank loan programs next fiscal year. Nevertheless, in order to ensure that any funds which may remain unused by the Bank at the end of fiscal year 1987 remain available, the Committee has provided for "carry over" authority by providing for the availability of these funds for a two-year period. The intent of the Committee in establishing the carry-over authority is to ensure that the direct credit program is funded to the fullest practicable extent in any given year.

THE PROPOSED I MATCH PROGRAM

The Committee believes that regardless of the budgetary scoring of the proposed I Match program, initiation of such a program is ill advised. Export-Import Bank officials have testified that the I Match program will be more costly than the existing direct credits program to U.S. taxpayers inasmuch as the I Match program creates a larger subsidy element. The program appears primarily to have been created as a method of avoiding regular scoring in the federal budget and of achieving a one time budgetary windfall. Little support has been expressed for this proposal. The Committee again has provided no authority or funding for this program. The Commitee believes that there is insufficient reason to eliminate the direct loan program in favor of an I Match program.

BUDGETARY SCORING OF THE DIRECT LOAN PROGRAM

The Committee is interested in the possibility of changing the budgetary scoring of the direct loan program in order to more accurately reflect the real subsidy costs of this program. The Commitee encourages careful consideration of the budgetary scoring of direct loan and loan guarantee programs throughout the Federal budget. The Committee agrees that these programs must be treated consistently but also believes that current scoring practices may overstate the cost to the government of these programs.

PREDICTING DEMAND

The Committee is concerned at the poor ability of the Export-Import Bank to estimate the demand for its services. Each year the Committee has provided generously for the Bank and the Bank has assured the Committee that the direct loan program would be fully utilized. The Bank has been wrong. This record is as follows (millions of dollars):

DIRECT PROGRAM USAGE

Fiscal year	Direct loans		
	Limit	Actual	Percent Utilized
1980	$4,001	$4,001	100.0
1981	5,461	5,431	99.5
1982	4,400	3,516	79.9
1983	4,400	845	19.2
1984	3,865	1,467	38.0
1985	3,865	659	17.1
1986	1,062	441.7	[1] 41.6

[1] Through July 24, 1986.

Despite this record, the Bank only recently, after substantial pressure, adjusted its prediction for the use of fiscal year 1986 direct loan funds to a level of $850,000,000. The Congressional Budget Office has estimated the use of $600,000,000. The Committee believes that the Bank has damaged its credibility in this regard and should work to improve its record.

FINANCIAL ACCOUNTING AND REPORTING

In light of widespread banking crises including many banks with non-performing farm loans, oil loans, and loans to third world countries, the Committee is particularly concerned with questionable financial accounting and reporting practices at the Export-Import Bank. These practices have been repeatedly criticized during the last five years by the Comptroller General of the United States and the General Accounting Office. Yet, despite this criticism, the Bank has refused to more accurately report its financial condition.

In testimony before the Committee this year, the Assistant Comptroller General stated:

> We are concerned that the Bank's financial statements do not fairly present the full cost of the Bank's operations because the Bank does not recognize the significant losses inherent in its problem loans.
>
> We consider loans that are currently delinquent, under reschedulings, or recorded as loan purchases to be "problem" debt because they exhibit characteristics suggesting that a significant portion will ultimately prove to be uncollectible. The total problem debt, as of September 30, 1982 was $2.1 billion, or 12.7 percent of total loans; by 1984, that problem debt had more than doubled to $4.7 billion, or 26.3 percent of total loans. These amounts will again increase for fiscal year 1985.
>
> Our attached analysis of the Bank's financial condition indicates that the amount of problem loans is increasing while the Bank's retained earnings are dwindling. On September 30, 1982, problem loans were roughly equal to the Bank's retained earnings. However, by September 30, 1984, problem loans, as a percent of the Bank's retained earnings, had risen to 322 percent. Preliminary estimates indicate problem loans will exceed 400 percent of the Bank's retained earnings as of September 30, 1985.
>
> Fair presentation of loans receivable requires a recognition in the accounts of the diminished value of loans through a charge against current year's income and a corresponding increase in an allowance for loan losses. The Bank has not recognized that its loans are impaired—even when the foreign governments repudiate the debts. The result, in our opinion, is a loan balance which is not fully collectible and, accordingly, is overstated.
>
> The Bank reported retained earnings of $1.4 billion as of September 30, 1984. If an allowance for estimated loan losses had been provided, we estimate the Bank's retained earnings would decrease by $1.0 billion to $1.5 billion. This would result in retained earnings of between $400 million and a deficit of $100 million, as of September 30, 1984. Admittedly, our approach involved judgment, but determining an allowance for losses, a common practice of financial institutions, is rarely subject to precise measurement.
>
> One significant result of not recognizing loan losses is the potential impact on congressional oversight. As shown

> on the statements, the Bank's financial position does not appear as severe as it is in reality, and the Congress may be led to make policy decisions that it would not otherwise make were the Bank's true financial condition presented fairly.

Consequently, due to the Export-Import Bank's continued refusal to acceptably report its financial condition, the Committee reluctantly has found it necessary to include bill language which prohibits the expenditure of funds for the administrative expenses of the Bank after January 1, 1987 unless the Bank adjusts its accounting and financial reporting practices to reflect generally accepted accounting principles including an allowance for estimated loan principal and interest losses and problem debt, and unless the Bank reports its revised financial statements for fiscal year 1985 to the appropriations Committees The Committee further directs that the Bank adopt these financial accounting and reporting standards for all future financial statements.

FAIR EXPORT FINANCING PROGRAM

Fiscal year 1986 level	....
Fiscal year 1987 budget request	$300,000,000
Committee recommendation	0

Because of budget constraints, the Committee cannot initiate new unauthorized programs. Further, existing authorities of the Export-Import Bank allow the Bank to offer programs similar to those proposed under the request for a Trade "War Chest". The Bank is already providing some mixed credit offers and special concessional funding offers for selected export cases.

TRADE AND DEVELOPMENT PROGRAM

Fiscal year 1986 level	$18,087,000
Fiscal year 1987 request	18,000,000
Committee recommendation	16,331,000

The Committee recommends $16,331,000, a reduction of $1,756,000 from the FY 1986 level and of $1,669,000 from the FY 1987 budget request. This is consistent with the Committee's overall reduction formula.

The Committee requests the Trade and Development Program to conduct a study reviewing the commercial and strategic mineral reserves in Africa that may lead to U.S. commercial ventures in Africa. The study should concentrate on mineral reserves otherwise not readily available in the United States. According to a United Nations Revolving Fund for Natural Resources Exploration, only 78 of 155 developing countries register any mineral production. This report should be provided to the Appropriations Committee no later than February 1, 1987.

TRADE CREDIT INSURANCE PROGRAM

Fiscal year 1986 level	($250,000,000)
Fiscal year 1987 request	(300,000,000)
Committee recommendation	(250,000,000)

The Committee recommends $250,000,000, the same level as FY 1986. The Committee noves that the Trade Credit Insurance Program is a secondary guarantaee and as such has no effect on budget authority, direct loan or primary guarantee levels allocated in the 302(b) process.

TITLE V—GENERAL PROVISIONS

The following is a summary of new general provisions and changes to FY 1986 general provisions.

REPROGRAMMING

The Committee has amended Sec. 523 in the bill to make the reprogramming criteria for development assistance consistent with a provision provided in the 1986/1987 Foreign Assistance authorization legislation. The new provision follows:

> *Provided,* That the notification requirements of this section shall not apply to the reprogramming of funds to be used for an activity, program, or project under chapter 1 of part I of the Foreign Assistance Act of 1961 if the amounts to be obligated for that activity, program, or project for the current fiscal year do not exceed by more than 10 per centum the amount justified to the Congress for that activity, program, or project for that fiscal year.

BOLIVIA NARCOTICS PROVISION

The Committee has modified general provision 536 in the bill concerning the release of economic support funds and military assistance and education funds for Bolivia. The modification was made to bring the provision into conformance with provisio 611 in the 1985 International Security and Development Cooperation Act.

The modification provision requires that the President certify to Congress that the Government of Bolivia has developed a plan to eliminate illicit narcotics production countrywide and is prepared to enter into an agreement with the United States to implement that plan.

Once the Presidential certification has been made up to 50 percent of the ESF, MAP and IMET funds for Bolivia can be made if Bolivia has achieved at least half of its eradication target for 1986. The second 50 percent of the funds for Bolivia would be released once the remaining half of the 1986 eradication target was met.

The Committee believes that in reaching an agreement with Bolivia on 1986 eradication targets, interfiction actions should be taken under consideration.

The modification provision follows:

> *Provided further,* That assistance may be provided to Bolivia for fiscal year 1987, under chapter 2 (relating to grant military assistance), chapter 4 (relating to the economic support fund), and chapter 5 (relating to international military education and training) of part II of the Foreign Assistance Act of 1961, and under chapter 2 of the Arms Export Control Act (relating to foreign military sales financing), only in accordance with the provisions of Section

611 of the International Security and Development Cooperation Act of 1985 (P.L. 99-83).

ENVIRONMENTAL PRIORITIES

The Committee has modified a general provision in the bill which directs the Secretary of the Treasury to instruct the United States executive directors of the international financial institutions to take several actions regarding environmental priorities. This provision is discussed in more detail earlier in the report under the section on Items of Special Interest. The provision follows:

> SEC. 539. (a) The Secretary of Treasury shall instruct the United States Executive directors of the multilateral development banks to—
>
> (1) vigorously promote the commitment of these institutions to—
>
> (A) add staff with training and experience in ecology and related areas to undertake environmental review of projects, and strengthen existing staff currently exercising environmental responsibilities;
>
> (B) develop and implement management plans to ensure systematic and thorough environmental review of all projects and activities affecting the ecology and natural resources of borrowing countries;
>
> (C) create career and other institutional incentives for all professionally trained bank staff to incorporate environmental and natural resources concerns into project planning and country programming activities;
>
> (2) vigorously promote changes in these institutions in their preparation of projects and country programs that will prompt staff and encourage borrower countries to—
>
> (A) actively and regularly involve environmental and health ministers, or comparable representatives, at the national, regional and local level, in the preparation of environmentally sensitive projects and in bank-supported country program planning and strategy sessions;
>
> (B) actively and regularly seek the participation of nongovernmental indigenous peoples and conservation organizations in the host countries at all stages of project planning and implementation and in country program planning and strategy sessions;
>
> (C) fully inform local communities and appropriate nongovernmental organizations with interests in local development projects of all project planning sufficiently in advance of project appraisal to allow informed participation of local communities

and nongovernmental organizations that may be adversely affected by them;

(3) vigorously promote the commitment of these institutions to develop and implement management plans to manage and rehabilitate on a sustained basis, the four principal biological foundations of developing economies; croplands, grasslands, forests and fisheries;

(4) vigorously promote a commitment of these institutions to increase the proportion of their programs supporting environmentally beneficial projects and project components, such as technical assistance for environmental ministries and institutions, resource rehabilitation projects and project components, protection of indigenous peoples, and appropriate light capital technology projects. Other examples of such projects include small scale mixed farming and multiple cropping; agriforestry; programs to promote kitchen gardens; watershed management and rehabilitation; high yield wood lots; integrated pest management systems; dune stabilization programs; programs to improve energy efficiency; energy efficient technologies such as small scale hydro projects, rural solar energy systems, and rural and mobile telecommunications systems; and improved efficiency and management of irrigation systems;

(5) vigorously promote the establishment within the Economic Development Institute of the World Bank of a component which provides training in environmental and natural resource planning and program development; and

(6) regularly raise, at meetings of the Boards of Directors of these institutions, the issue of their progress in improving their environmental performance, with specific focus on the measures set forth in paragraphs (1), (2), (3), (4), and (5) of subsection (a).

(b) The Secretaries of the Treasury and State, and the Administrator of the Agency for International Development, shall ensure and coordinate a thorough evaluation within the United States Government of the potential environmental problems, and the adequacy of measures to address these problems, associated with all proposed loans for projects involving large impoundments of rivers in tropical countries; penetration roads into relatively undeveloped areas; and agricultural and rural development programs; the potential environmental problems to be addressed in such evaluations shall include those relating to deterioration of water quality, siltation, spread of water borne diseases, forced resettlement, deforestration, threats to the land, health and culture of indigenous peoples, top soil management, water logging and salinization in irrigation projects, and pesticide misuse and resistance.

(c) The Secretary of the Treasury and the Secretary of State shall regularly undertake and continue diplomatic and other initiatives, in addition to those mentioned in subsection (a)(5), to discuss measures to improve the environmental performance of the multilateral development banks with the representatives to these institutions, and with ministries from which they receive their instructions, of borrower and donor nations.

(d) The Secretary of the Treasury shall prepare and submit to the Committees on Appropriations by December 15, 1986, and quarterly thereafter, a report documenting the progress the multilateral development banks have made in implementing the environmental reform measures described in paragraphs (1), (2), (3), (4), and (5) of subsection (a).

(e) In the report of the Secretary of the Treasury required by subsection (d), regarding the implementation of staffing measures suggested in subsection (a)(1)(A), the Secretary of the Treasury shall specifically discuss the progress of the International Bank for Reconstruction and Development in adding environmentally trained professionals to each of the Bank's six regional offices to review projects for their prospective ecological impacts.

(f) The Administrator of the Agency for International Development shall—

(1) instruct overseas missions of the Agency for International Development to prepare reports analyzing the impacts of multilateral development bank projects proposed to be undertaken in the host country well in advance of the projects approval by the relevant institution. Such reports shall address the economic viability of the project; adverse impacts to the environment, natural resources, and indigenous peoples; and recommendations as to measures, including alternatives, that could eliminate or mitigate adverse impacts. Such reports shall be made available to the public; and

(2) in preparation of reports required by subsection (f)(1), compile a categorized list of projects likely to have adverse impacts on the environment, natural resources, or indigenous peoples. The list shall be developed in consultation with interested members of the public and made available to the Committees on Appropriations by December 31, 1986 and quarterly thereafter.

(g) If a report required by subsection (f)(1) identifies adverse impacts to the environment, natural resources, or indigenous peoples, the Secretary of the Treasury shall instruct the United States executive directors of the multilateral development banks to seek changes to the project necessary to eliminate or mitigate those impacts.

(h) The Administrator of the Agency for International Development shall appoint a Committee on Health and the Environment to examine opportunities for assisting countries in the proper use of industrial chemicals and processes. The committee should be broadly representative of industry, labor, and environmental interests and should report its preliminary findings to Congress before hearings on the fiscal year 1988 budget.

CAMBODIAN ASSISTANCE

The Committee has retained a general provision in the FY 1987 Act providing assistance to the Cambodian non-Communist resistance forces. It provides that not less than $1,500,000 nor more than $5,000,000 in "Military Assistance" and "Economic Support Funds" be provided to the Cambodian resistance.

The provision prohibits the use of the funds from being used to promote, sustain or augment directly or indirectly the capacity of the Khmer Rouge or any of its members to conduct military or paramilitary operations in Cambodia or elsewhere in Indochina. The provision follows:

> SEC. 543. The President shall make available to the Cambodian non-Communist resistance forces not less than $1,500,000 nor more than $5,000,000 of the funds appropriated by this Act for "Military Assistance" and for the "Economic Support Fund", notwithstanding any other provision of law: *Provided,* That funds appropriated by this Act for this purpose shall be obligated in accordance with the provisions of section 906 of the International Security and Development Cooperation Act of 1985 (Public Law 99-83).

AFGHANISTAN HUMANITARIAN ASSISTANCE

The Committee has recommended that the funds available for humanitarian assistance to the Afghan people be not less than $30,000,000. This is an increase from the $15,000,000 included in the general provision in FY 1986. The funds are to be used to provide food, medicine and other humanitarian assistance to be derived from "Development Assistance" and "Economic Support Funds". The provision follows:

> SEC. 541. Not less than $30,000,000 of the aggregate amount of funds appropriated by this Act to carry out the provisions of chapter 1 of part I of the Foreign Assistance Act of 1961 and chapter 4 of part II of that Act, shall be available for the provision of food, medicine, or other humanitarian assistance to the Afghan people, notwithstanding any other provision of law.

ETHIOPIA RESETTLEMENT

The Committee has included a new general provision that prohibits the use of funds for any costs associated with forced resettlement by the Government of Ethiopia. The bill language follows:

> SEC. 548. None of the funds appropriated in this Act shall be made available for any costs associated with the Government of Ethiopia's forced resettlement program.

SUDAN AND LIBERIA

The Committee has included a new general provision that requires that FY 1987 funds for Sudan and Liberia be requested through the fifteen day notification process. The Committee has included this provision because of the political and economic uncertainties in both countries. A further discussion of the Committee's concerns are included in the Items of Special Interest section earlier in the report. The general provision follows:

> SEC. 549. None of the funds appropriated in this Act shall be obligated or expended for Sudan or Liberia except as provided through the regular notification procedures of the Committees on Appropriations.

PROJECT AND ACTIVITY DEFINITION

The Committee has included a new general provision that defines program, project and activity as included in the FY 1986 Continuing Resolution report. The provision is as follows:

> SEC. 550. For the purpose of this Act, "program, project, and activity" shall be defined at the Appropriations Act account level and shall include all Appropriations and Authorizations Acts earmarks, ceilings, and limitations with the exception that for the following accounts: Economic Support Fund; Military Assistance; and Foreign Military Credit Sales, "program, project, and activity" shall also be considered to include country, regional, and central program level funding within each such account; for the functional development assistance accounts of the Agency for International Development "program, project, and activity" shall also be considered to include central program level funding, either as (1) justified to the Congress, or (2) allocated by the Executive Branch in accordance with a report, to be provided to the Committees on Appropriations within thirty days of enactment of a Foreign Assistance and Related Programs Appropriations Act or of enactment of a continuing resolution containing funding for these programs for the balance of the fiscal year, as required by Section 653(a) of the Foreign Assistance Act of 1961, as amended, whichever is the more recent action.

EARMARKED FUNDS

The Committee has included a new general provision that states how earmarked funds FY 1987 are to be handled. The Committee feels it is necessary to provide this direction due to the reductions that have been made in FY 1987 funding and the large number of authorization earmarks that were based on a projected higher level of funding.

The language ensures that military aid for Greece and Turkey shall be provided in accordance with a 7:10 ratio and under the same terms as in FY 1986. The general provision follows:

> SEC. 553. Notwithstanding any other provision of law, earmarks, limitations, and ceilings on programs, projects and activities for FY 1987 shall be funded as follows: (1) earmarks, limitations, and ceilings shall be funded in full as designated in this Act, (2) earmarks, limitations and ceilings, which exist in other legislation but which pertain to foreign assistance programs funded in this Act, shall be reduced proportionately by a percentage equal to the percentage decrease in funds available in each account for countries other than Israel, Egypt, and Pakistan from FY 1986 post sequestration funding levels to FY 1987 appropriation levels (3) notwithstanding the requirements of part (2) of this section, the proportionate relationship between earmarks for Greece and Turkey which existed in FY 1986 shall be maintained in FY 1987 (4) nothing in this section shall preclude the application of sequestration action in FY 1987, if it occurs, from applying to all earmarks, limitations, and ceilings in this Act and in applying to earmarks, limitations, and ceilings in corresponding authorizations legislation.

PUBLIC HEALTH SERVICE REIMBURSEMENTS

The Committee has added a new provision to the bill allowing funds, up to $7,500,000 from the "Child Survival Fund" and "Health, Development Assistance" accounts to be used to reimburse the U.S. Public Health Service or the Centers for Disease Control for the cost of Public Health Service employees on detail to AID. The provision is discussed further under the Health Account, earlier in the report. The provision follows:

> SEC. 551. Of the funds made available by this Act and appropriated for the "Child Survival Fund" and "Health, Development Assistance", up to an additional $7,500,000 may be used to reimburse the U.S. Public Health Service or the Centers for Disease Control for the full cost of up to an additional fifty Public Health Service employees.

PROHIBITION ON FUNDS FOR CHILE

The Committee has added a new provision to the bill that prohibits funds in the bill to be obligated or expended directly to Chile, except for international disaster assistance and projects funded through the Inter-American Foundation. The Committee has added this provision because there has been no progress toward democracy in Chile. The provision follows:

> SEC. 552. None of the funds made available by this Act shall be obligated or expended directly to Chile except for international disaster assistance and projects funded through the Inter-American Foundation.

FUNDS FOR COUNTRIES MEETING DRUG ERADICATION TARGETS

The Committee has included a new general provision that permits the transfer of funds that cannot be used by countries failing to take adequate steps to halt illicit drug production or trafficking to countries which have met their illicit drug eradication targets or have otherwise taken significant steps to halt illicit drug production or trafficking. The provision has been added as a positive action toward countries that are making progress on drug control. The provision follows:

> SEC. 554. If any funds appropriated by this Act for "Economic Support Fund", "Military Assistance", "International Military Education and Training", or "Foreign Military Credit Sales" are not used for assistance for the country for which those funds were allocated because that country has not taken adequate steps to halt illicit drug production or trafficking (including any funds withheld pursuant to section 481(h) of the Foreign Assistance Act of 1961 or section 611 or 612 of the International Security and Development Cooperation Act of 1985), those funds shall be used for additional assistance for those countries which have met their illicit drug eradication targets or have otherwise taken significant steps to halt illicit drug production or trafficking, as follows:
>
> (1) Except as provided in paragraph (2), those funds shall be transferred to the "International Narcotics Control" account in order to provide additional narcotics control assistance to those countries. Such transfers m ay be made without regard to the 20-percent increase limitation contained in section 610(a) of the Foreign Assistance Act of 1961. Such transfers shall be subject to the regular notification process of the Committees on Appropriations.
>
> (2) Any of those funds—
>
> (A) which the President determines (and reports to the Congress) should not be used for additional narcotics control assistance for those counrtries because the additional assistance could not be used effectively in halting illicit drug production or trafficking,
>
> (B) whose transfer pursuant to paragraph (1) is not approved by the Appropriations Committees, or
>
> (C) which are appropriated for "Foreign Military Credit Sales",
>
> shall be reprogrammed within the account for which they were appropriated (subject to regular reprogramming procedures of the Committees on Appropriations) in order to provide additional economic or military assistance (as the case may be) to those countries.

INTER-AMERICAN DEVELOPMENT BANK COORDINATION ON HAITI

The Committee has added a new general provision to the bill requiring that bilateral economic assistance programs of the United States for Haiti be effectively coordinated with the activities of the Inter-American Development Bank.

Haiti remains one of the poorest countries in the Western hemisphere, with a per capita income of $321. The literacy rate is only at 20% and the health of the general population is poor with a life expectancy of 55 years and an infancy death rate of 125 per 1000.

It is important to the development of a strong and viable economy in Haiti that there be coordination between U.S. bilateral assistance and multilateral assistance as provided by the Inter-American Development Bank. Only through such coordination can resources be used effectively to promote the type of economic growth and quality of life so desperately needed by the people of Haiti.

In the past such coordination has often been lacking and has resulted in an unfocused assistance program. Only through an all out and coordinated effort including both AID and IDB can Haiti's economic stagnation and the human suffering of its people be reversed.

The coordination will necessarily mean close coordination between the United States Executive Director of the IDB and the Administrator of AID on developing an assistance program that will use resources effectively and one that is tailored to each institution's organizational and technical strengths.

It is the Committee's recommendation that the Secretary of the Treasury direct the Executive Director of the IDB to develop a recommendation for a lending program for Haiti that will emphasize land conservation, reforestation, health care, sanitation and literacy education projects, and that this program be submitted as soon as possible to the IDB Board of Directors.

The new provision follows:

> SEC. 555. The Secretary of the Treasury shall instruct the United States Executive Director of the Inter-American Development Bank to work with the representatives, and with the ministries from which they receive their instructions, of other donor nations to the Inter-American Development Bank, to develop a coordinated economic development program for the assistance activities of the Bank for Haiti. Such program should be developed in cooperation with the Department of State and the Agency for International Development to ensure that the bilateral economic assistance programs of the United States for Haiti are effectively coordinated with the activities of the Inter-American Development Bank.

OUTLAY CEILING

The Committee has included a new provision in the bill that has the effect of setting outlay ceilings for FY 1987 for foreign assistance appropriations contained in the bill. None of the funds that are made available in the bill can be expended if that expenditure would cause total fiscal year 1987 expenditures for foreign assistance programs or activities contained in this year's bill or prior year Acts to exceed $10,641,000,000. The provision also specifies that not more than $4,810,000,000 can be expended before October 1, 1987 for discretionary budget authority made available in the bill. The provision specifies a number of accounts and programs that are to be accomplished, with our restriction, within the discretionary funding limit.

The Committee has also included in the provision a requirement that all provisions of the Budget and Impoundment Control Act are to be applicable to the general provision. Additionally, the President is to report to the Committees on Appropriations on the implementation of the provision every 90 days.

The justification for including this new provision is discussed further under the earlier section on Items of Special Interest. The new provision follows:

> SEC. 556. None of the funds made available by this Act or any prior Act shall be expended if such expenditure would cause total fiscal year 1987 expenditures for foreign assistance programs or activities contained in this or prior year Acts to exceed $10,641,000,000: *Provided,* That notwithstanding any other provision of law authorizing or appropriating funds or authority for the appropriations items contained in this Act (except that the provisions of 31 U.S.C. 1341(a) and 1517 shall be applicable), not more than $4,810,000,000 shall be expended before October 1, 1987 pursuant to the discretionary budget authority made available by this Act: *Provided further,* That expenditures for the following shall not be restricted in any manner in order to accomplish these limitations: (1) Economic Support Fund earmarks for Israel, Egypt, Pakistan, and Ireland; (2) Foreign Military Credit Sales earmarks for Israel, Egypt, and Pakistan; (3) Operating expenses of the Agency for International Development; (4) Operating expenses of the Agency for International Development Office of the Inspector General; (5) Peace Corps; (6) International Bank for Reconstruction and Development, Special Facility for Sub-Saharan Africa; (7) United Nations Children's Fund (UNICEF); (8) United Nations Environment Program; (9) International Fund for Agricultural Development; (10) Child Survival Fund; (11) American Schools and Hospitals Abroad; (12) Migration and Refugee Assistance; (13) Export-Import Bank direct loan program: *Provided further,* That the President shall report to the Committees on Appropriations every 90 days on the implementation of this section.

MULTILATERAL TRADE PROVISION

The Committee has included a new provision Sec. 557 on trade and the multilateral banks. The provision amends the end of Sec. 812 of the Bretton Woods Agreements Act to read as follows:

TRADE PROVISIONS

"SEC. 49. (a)(1) The Secretary of the Treasury shall instruct the United States Executive Director of each of the multilateral development banks (in this section referred to as the 'banks') and of the Fund to initiate a wide consultation with the Managing Director of each of the banks and of the Fund and the other directors of the banks and of the Fund with regard to the development of financial assistance policies which, to the maximum feasible extent—

"(A) reduce obstacles to and restrictions upon international trade and investment in goods and services;

"(B) eliminate unfair trade and investment practices; and

"(C) promote mutually advantageous economic relations.

"(2) The Secretary of the Treasury shall work closely in this effort with the Trade Policy Committee.

"(3) As part of this effort, the Secretary of the Treasury shall also instruct the United States Executive Director each of the banks and of the Fund to encourage close cooperation between their staff and the GATT Secretariat.

"(b)(1) The Secretary of the Treasury shall instruct the United States Executive Director of each of the banks and of the Fund, prior to the extension to any country of financial assistance by the banks and by the Fund, to work to have the banks and the Fund obtain the agreement of such country to eliminate, in a manner consistent with its balance of payments adjustment program, unfair trade and investment practices with respect to goods and services which the United States Trade Representative, after consultation with the Trade Policy Committee, has determined to have a significant deleterious effect on the international trading system.

"(2) Such practices include—

"(A) the provision of predatory export subsidies, employed in connection with the exporting of agricultural commodities and products thereof to foreign countries;

"(B) the provision of other export subsidies, such as government subsidized below-marketing interest rate financing for commodities or manufactured goods;

"(C) unreasonable import restrictions;

"(D) the imposition of trade-related performance requirements on foreign investment; and

"(E) practices which are inconsistent with international agreements.

"(c)(1) In determining the United States position on requests for periodic drawing under bank and Fund programs, the Secretary of the Treasury shall take full account of the progress countries have made in achieving targets for eliminating or phasing out the practices referred to in subsection (b) of this section.

"(2) In the event that the United States supports a request for drawing by a country that has not achieved the bank and Fund targets relating to such practices specified in its program, the Secretary of the Treasury shall report to the appropriate committees of the Congress the reasons for the United States position."

"(d) For purposes of this section, the term 'multilateral development banks' means the International Bank for Reconstruction and Development, the Inter-American Development Bank, the African Development Bank, and the Asian Development Bank."

INFLATIONARY IMPACT STATEMENT

Clause 2(l)(4) of Rule XI of the House of Representatives requires that each committee report on a bill or resolution shall contain a statement as to whether enactment of the bill or resolution would have an inflationary impact on prices and costs in the operations of the national economy.

Practically any spending by the U.S. Government can be inflationary when Government financial policy does not provide for adequate income to cover that total spending effort as is the case now with the budget of the United States which is not projected to be in balance this year.

The total amount of new budget authority recommended in the accompanying bill for fiscal year 1987 is below the budget requests and below the total adjusted amounts appropriated for foreign assistance in fiscal year 1986. The Committee feels that the amounts recommended in the bill will have a less severe impact on total inflation than they would if the full budget request had been granted.

COMPARISON WITH BUDGET RESOLUTION

Section 308(a)(1)(A) of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344), as amended, requires that the report accompanying a bill providing new budget authority contain a statement detailing how the authority compares with the reports submitted under section 302 of the Act for the most recently agreed to concurrent resolution on the budget for the fiscal year. This information follows:

[In millions of dollars]

	Sec. 302(b)		This bill	
	Discretionary	Mandatory	Discretionary	Mandatory
Budget authority	$12,484	$507	$12,478	$507
Outlays	4,810	5,831	4,810	5,831
Direct loans	5,696	974	5,696	974
Primary guarantees	11,726		11,695	

The bill provides no new spending authority as described in section 401(c)(2) of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344), as amended.

Five-Year Projection of Outlays

In accordance with section 308(a)(1)(C) of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) as amended, the following table contains five-year projections of the outlays associated with the budget authority provided in the accompanying bill:

Budget authority	$12,985,171,000
Outlays:	
1987	4,957,492,000
1988	2,690,926,000
1989	1,748,732,000
1990	969,348,000
1991 and future years	1,038,926,000

Assistance to State and Local Governments

Section 308(a)(1)(D) of the Congressional Budget Act of 1974 requires that the report accompanying any bill or resolution providing new budget authority (other than continuing appropriations) shall contain a statement of the new budget authority and budget authority and budget outlays provided by that bill or resolution for financial assistance to State and local governments.

The amounts recommended in the accompanying bill contain no budget authority or budget outlays for any State or local governments.

Transfer of Funds

1. *Energy and Selected Development Activities, Development Assistance.*—The bill allows for $5,000,000 within this account to be transferred to the Science and Technology, Development Assistance account for cooperative projects among the United States, Israel and developing countries.

2. *Private Sector Revolving Fund.*—The bill allows for $15,553,000 in necessary expense to carry out the functions of the Private Sector Revolving Fund to be derived in transfers from AID development assistance accounts included in Title II of the bill.

Limitations and Legislative Provisions

The following limitations and legislative provisions not heretofore carried in connection with any appropriations bill are recommended:

On pages 7 and 8, in connection with "International Organizations and Programs":

> *Provided,* That no funds shall be available for the United Nations Fund for Science and Technology: *Provided further,* That the total amount of funds made available by this paragraph shall be available only as follows: $107,500,000 for the United Nations Development Program; $51,080,000 for the United Nations Children's Fund; $1,818,000 for the World Food Program; $861,000 for the United Nations Capital Development Fund; $219,000 for the United Nations Voluntary Fund for the Decade for Women; $1,125,000 for the International Convention and

Scientific Organization Contributions; $1,978,000 for the World Meteorological Organization Voluntary Cooperation Program; $20,500,000 for the International Atomic Energy Agency; $8,613,000 for the United Nations Environment Program; $789,000 for the United Nations Educational and Training Program for South Africa; $1,368,000 for the United Nations Development Program Trust Fund to Combat Poverty and Hunger in Africa; $219,000 for the United Nations Institute for Namibia; $172,000 for the Convention on International Trade in Endangered Species; $219,000 for the World Heritage Fund; $86,000 for the United Nations Voluntary Fund for Victims of Torture; $197,000 for the United Nations Fellowship Program; $383,000 for the Center on Human Settlements; $12,908,000 for the Organization of American States; and $28,710,000 for the International Fund for Agricultural Development, of which $10,000,000 shall be for the Special Program for Sub-Saharan African Countries Affected by Drought and Desertification.

On page 9, in connection with "Agriculture, rural development, and nutrition, Development Assistance":

> *Provided further,* That not less than $6,000,000 shall be provided for the Vitamin A Deficiency Program.

On pages 10 and 11, in connection with "Limitation on Development Assistance":

> Limitation on Development Assistance: None of the funds made available by this Act in order to carry out chapter 1 of part I of the Foreign Assistance Act of 1961, as amended, may be expended to provide an amount which would result in the percentage of funds expended for centrally funded, country, or regional programs for areas other than Sub-saharan Africa exceeding the percentage of total funds designated for centrally funded, country, or regional programs for areas other than Sub-Saharan Africa in fiscal year 1986, as shown in the fiscal year 1987 congressional presentation materials.

On page 11, in connection with "Haiti, Development Assistance":

> Haiti, Development Assistance: Of the funds made available to carry out sections 103 through 106 of the Foreign Assistance Act of 1961, as amended, not less than $37,000,000 shall be available to support a transition to democracy through activities emphasizing job creation, rural development, health care, sanitation, small scale irrigation projects, reforestation, land conservation, and literacy education projects: *Provided,* That funds made available pursuant to this paragraph for Haiti shall be used to provide assistance, to the maximum extent practicable, equitably among the various regions of Haiti.

On page 10 in connection with "Population, Development Assistance.":

Provided further, in awarding grants for natural family planning under section 104 of the Foreign Assistance Act no applicant shall be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning; and additionally all such applicants shall comply with the requirements of the previous proviso.

On pages 11 and 12, in connection with "Private and Voluntary Organizations":

> Private and Voluntary Organizations: None of the funds appropriated or otherwise made available in this Act for development assistance may be made available to any United States private and voluntary organization, except any cooperative development organization, which obtains less than 20 per centum of its total annual funding for international activities from sources other than the United States Government, *Provided,* That the Administrator of the Agency for International Development may waive the application of this provision to private and voluntary organizations: *Provided further,* That such waivers shall be subject to the normal notification process of the Committees on Appropriations: *Provided further,* That the requirement of the provisions of section 123(g) of the Foreign Assistance Act of 1961 and the provisions on private and voluntary organizations in Title II of the "Foreign Assistance and Related Programs Appropriations Act, 1985" (as enacted in Public Law 98-473) shall be superseded by the provisions of this section.

On pages 12 and 13, in connection with "Loan allocation, Development Assistance":

> *Provided,* That to the maximum extent practicable, loans to private sector institutions, from funds made available to carry out the provisions of sections 103 through 106, shall be provided at or near the prevailing interest rate paid on Treasury obligations of similar maturity at the time of obligating such funds:
>
> *Provided further,* That amounts appropriated to carry out the provisions of chapter I of part I which are provided in the form of loans shall remain available until September 30, 1988.

On pages 13 and 14, in connection with "Operating expenses of the Agency for International Development:"

> Operating expenses of the Agency for International Development: For necessary expenses to carry out the provisions of section 667, $340,600,000: *Provided,* That the Agency for International Development may use amounts appropriated to carry out the provisions of chapter 1 of part I (with the exception of the "Child Survival Fund") and chapter 4 of part II of the Foreign Assistance Act of 1961, for the overseas local support costs of its economic assistance programs: *Provided further,* That except to the extent that

the Administrator of the Agency for International Development determines otherwise, not less than 10 per centum of the aggregate of the funds made available for the fiscal year 1987 to carry out chapter 1 of part I of the Foreign Assistance Act of 1961 shall be made available only for activities of economically and socially disadvantaged enterprises (within the meaning of section 133(c)(5) of the International Development and Food Assistance Act of 1977), historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically and socially disadvantaged (within the meaning of section 133(c)(5) (B) and (C) of the International Development and Food Assistance Act of 1977). For purposes of this section, economically and socially disadvantaged individuals shall be deemed to included women.

On pages 15 through 19 in connection with the "Economic Support Fund":

Economic support fund: For necessary expenses to carry out the provisions of chapter 4 of part II, $3,196,798,000 including such funds as may be made available in fiscal year 1987 for economic support funds for Central American countries through final enactment of section 205 of H.R. 5052: *Provided,* That of the funds appropriated under this paragraph, not less than $1,200,000,000 shall be available only for Israel, which sum shall be available on a grant basis as a cash transfer and shall be disbursed within 30 days of enactment of this Act or by October 31, 1986, whichever is later: *Provided further,* That not less than $815,000,000 shall be available only for Egypt, which sum shall be provided on a grant basis, of which not less than $115,000,000 shall be provided as a cash transfer in accordance with the provisions of section 202(b) of Public Law 99-83: *Provided further,* That notwithstanding any other provision of law, the Agency for International Development is authorized to obligate such funds as it deems necessary in excess of $115,000,000 from the funds appropriated for assistance to Egypt for the fiscal year 1987 as direct cash transfer for Egypt: *Provided further,* That such obligations shall only be made in support of the implementation of a comprehensive structural economic reform program by the Government of Egypt: *Provided further,* That all cash transfers shall be subject to the regular notification procedures of the Committee on Foreign Affairs of the House of Representatives, the Committee on Foreign Relations of the Senate, and the Appropriations Committees of the House and Senate: *Provided further,* That such notifications for the provision of cash transfers in excess of $115,000,000 shall include detailed descriptions of the comprehensive structural economic reform program of the Government of Egypt: *Provided further,* That it is the sense of the Congress that the recommended levels of assistance for Egypt and Israel are based in great measure upon their continued participation in the Camp David Accords and upon the Egyptian-Israeli peace treaty; and that Egypt and Israel are urged to continue their efforts to restore a full diplomatic relationship, including ambassadors, and achieve realization of the Camp David Accords: *Provided further,* That not less than $250,000,000 of the funds appropriated under this paragraph shall be available only for Pakistan: *Provided further,* That not less than $50,000,000 of the funds appropriated under this paragraph shall be available for a United States contribution to the International Fund for Northern Ireland and Ireland: *Provided further,* That up to $15,000,000 shall be made available for Jordan in addition to funds otherwise made available by this paragraph and allocated to Jordan: *Provided further,* That any of the funds appropriated under this paragraph for El Salvador which are placed in the Central Reserve Bank of El Salvador shall be maintained in a separate account and not commingled with any other funds, except that such funds may be obligated and expended notwithstanding provisions of law which are inconsistent with the cash transfer nature of this assistance or which are referenced in the Joint Explanatory Statement of the Committee of Conference accompanying House Joint Resolution 648 (H. Rept. No. 98-1159): *Provided further,* That pursuant to section 660(d) of the Foreign Assistance Act of 1961 up to $1,000,000 of the funds appropriated under this paragraph shall be made available to assist the Government of El Salvador's Special Investigative Unit for the purpose of bringing to justice those responsible for the murders of United States citizens in El Salvador: *Provided further,* That a report of the investigation shall be provided to the Congress: *Provided further,* That up to $20,000,000 of the funds appropriated under this paragraph may be made available to carry out the Administration of Justice program pursuant to section 534 of the Foreign Assistance Act of 1961: *Provided further,* That not less than $20,000,000 of the funds made available by this paragraph shall be provided to countries that are receiving "International Narcotics Control" assistance and that have made substantial progress in illicit drug control efforts: *Provided further,* That all funds made available pursuant to the previous proviso shall be subject to the regular notification procedures of the Committees on Appropriations and that such notifications shall contain an explanation of the progress in illicit drug control that has been made by the recipient country: *Provided further,* That all of the funds provided under this paragraph which are made available for South Africa shall be subject to the regular notification procedures of the Committees on Appropriations: *Provided further,* That the obligation of funds made available under this paragraph to finance tied aid credits shall be subject to the regular notification procedures of the Committees on Appropriations: *Provided further,* That after February 1, 1987, any country which receives in excess of a total of $5,000,000 as cash transfer assistance shall maintain such funds in a separate account and shall not commingle such funds with any other funds, except that such funds may be obligated and expended notwithstanding provisions of law which are inconsistent with the cash transfer nature of this assistance or which are referenced in the Joint Explanatory Statement of the Committee of Conference accompanying House Joint Resolution 648 (H. Rept. No. 98–1159): *Provided further,* That all local currencies that may be generated with funds provided as a cash transfer in accordance with the previous proviso shall be deposited in a special account in accordance with section 609 of the Foreign Assistance Act of 1961.

On page 20, in connection with the "Inter-American Foundation":

For expenses necessary to carry out the functions of the Inter-American Foundation in accordance with the provisions of section 401 of the Foreign Assistance Act of 1969, and to make such contracts and commitments without regard to fiscal year limitations, as provided by section 9104, title 31, United States Code, $1,000,000, which shall be available only for literacy, educational, and other development projects in Haiti.

On page 22, in connection with "Migration and Refugee Assistance":

Provided, That not less than $25,000,000 shall be available for Soviet, Eastern European and other refugees resettling in Israel:

Provided further, That these funds shall be administered in a manner that ensures equity in the treatment of all refugees receiving Federal assistance.

On page 23, in connection with "Peacekeeping Operations":

Provided further, That not more than half of the funds which are appropriated under this paragraph and which are allocated for the United Nations Force in Cyprus may be obligated for the United States contribution to that Force until the Secretary of State submits a report to the Congress detailing how the United States and other contributing countries plan to eliminate the financial deficit of that Force.

On pages 24 and 25, in connection with "Military Assistance":

Provided further, That in addition to amounts available for such purpose under the heading "International Narcotics Control", not less than $10,000,000 of the funds appropriated by this paragraph shall be available only to provide helicopters or other aircraft, for use solely in narcotics control, eradication and interdiction efforts, to countries receiving assistance under such heading for fiscal year 1987, such assistance to be administered and provided in accordance with the authorities of chapter 8 of part I of the Foreign Assistance Act of 1961, as amended: *Provided further,* That none of the funds under this heading shall be obligated for law enforcement agencies in El Salvador and Honduras until the notification required under Section 660(d) of the Foreign Assistance Act of 1961, as amended, is provided to the Committees on Appropriations: *Provided further,* That of the funds provided under this paragraph not more than $34,400,000 shall be used for "Overseas Military Program Management": *Provided further,* That the reports required by section 702 of the International Security and Development Cooperation Act of 1985 (Public Law 99-83) shall also be provided to the Committees on Appropriations: *Provided further,* That none of the funds made available by this paragraph shall be available for Haiti except through the regular notification procedures of the Committees on Appropriations.

On pages 25 and 26, in connection with "Foreign Military Credit Sales":

For expenses necessary to enable the President to carry out the provisions of section 23 of the Arms Export Control Act, $4,264,744,284 of which not less than $1,800,000,000 shall be available only for Israel, not less than $1,300,000,000 shall be available only for Egypt, and not less than $340,000,000 shall be available only for Pakistan: *Provided,* That if the government of Israel requests that funds be used for such purposes, up to $150,000,000 of the amount of credits made available for Israel pursuant to this paragraph shall be available for research and development in the United States for the Lavi program, and not less than $300,000,000 shall be for the procurement in Israel of defense articles and services, including research and development, for the Lavi program and other activities if requested by Israel: *Provided further,* That none of the funds made available under this heading and under the heading "Military Assistance" shall be available for Guatemala, unless the President makes the following certifications to the Congress:

(1) The elected civilian government is in power in Guatemala and has submitted a formal written request to the United States for the assistance, sales, or financing to be provided.

(2) The Government of Guatemala made demonstrated progress during the preceding year (A) in achieving control over its military and security forces, (B) toward eliminating kidnapings and disappearances, forced recruitment into the civil defense patrols, and other abuses by such forces of internationally recognized human rights, and (C) in respecting the internationally recognized human rights of its indigenous Indian population:

Provided further, That during fiscal year, 1986, gross obligations for the principal amount of direct loans, exclusive of loan guarantee defaults, shall not exceed $4,264,744,289.

On pages 28 and 29, in connection with the "Export-Import Bank of the United States, Limitation on Program Activity and Limitation on Administrative Expenses":

During the fiscal year 1987 and within the resources and authority available, gross obligations for the principal amount of direct loans shall not exceed $900,000,000, including such resources and authority as are made available in Public Law 99-349 for fiscal year 1987: *Provided,* That during the fiscal year 1987, total commitments to guarantee loans shall not exceed $11,350,000,000 of contingent liability for loan principal: *Provided further,* That the direct loan and guaranty authority provided in this paragraph shall remain available until September 30, 1988. *Provided,* That the authority contained under this heading shall not be available for expenditure for administrative expenses after January 1, 1987, unless the Bank adjusts its accounting and financial reporting practices to reflect generally accepted accounting principles including an allowance for estimated loan principal and interest losses and problem debt, and reports its revised financial statements for fiscal year 1985 to the Committees on Appropriations. All subsequent financial statements shall meet the same standards and shall be submitted to the Committees on Appropriations in a timely manner.

On pages 34 through 63, in connection with "Title V—General Provisions":

SEC. 517. No part of any appropriations contained in this Act shall remain available for obligation after the expiration of the current fiscal year unless expressly so provided in this Act: *Provided,* That funds appropriated for the purposes of section 103 through section 106 of the Foreign Assistance Act of 1961, as amended shall remain available until expended if such funds are initially obligated before the expiration of the current fiscal year.

SEC. 523. None of the funds made available under this Act for "Agriculture, rural development and nutrition, Development Assistance". "Population, Development Assistance", "Child Survival Fund", "Health Development Assistance", Education and human resources development, Development Assistance," "Energy and selected development activities, Development Assistance", Science and technology, Development Assistance", "International organizations and programs", "American schools and hospitals abroad", "Sahel development program", "Trade and development program". "International narcotics control", "Economic support fund", Peacekeeping operations", "Operating expenses of the Agency for International Development", "Operating expenses of the Agency for International Development Office of Inspector General", "Anti-terrorism assistance", "Military assistance", International military education and training", "Foreign military credit sales", "Inter-American Foundation", "African Development Foundation", "Peace Corps", or "Migration and refugee assistance", shall be available for obligation for activities, programs, projects, type of material assistance, countries, or other operation not justified or in excess of the amount justified to the Appropriations Committees for obligation under any of these specific headings for the current fiscal year unless the Appropriations Committees of both Houses of Congress are previously notified fifteen days in advance: *Provided,* That the notification requirements of this section shall not apply to the reprogramming of funds to be used for an activity, program, or project under chapter 1 of part I of the Foreign Assistance Act of 1961 if the amounts to be obligated for that activity, program, or project for the current fiscal year do not exceed by more than 10 per centum the amount justified to the Congress for that activity, program, or project for that fiscal year.

SEC. 526. None of the funds appropriated or otherwise made available under this Act may be available for any country during any three-month period beginning on or after October 1, 1986, immediately following a certification by the President to the Congress that the government of such country is failing to make adequate measures to prevent narcotic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971 (21 U.S.C. 812)) which are cultivated, produced, or processed illicitly, in whole or in part, in such country, or transported through such country from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully.

SEC. 534. The Secretary of the Treasury and the Secretary of State are directed to submit to the Committees on Foreign Affairs and the Committees on Appropriations by February 1, 1987, a report on the domestic economic policies of those nations receiving economic assistance, either directly or indirectly from the United States including, where appropriate, an analysis of the foreign assistance programs conducted by these recipient nations.

SEC. 536. Of the funds made available by this Act for Jamacia and Peru, not more than 50 per centum of the funds made available for each country shall be obligated unless the President determines and reports to the Congress that the Governments of these countries are sufficiently responsive to the United States Government concerns on drug control and that the added expenditures of the funds for that country are in the national interest of the United States: *Provided,* That this provision shall not be applicable to funds made available to carry out section 481 of the Foreign Assistance Act of 1961: *Provided further,* That assistance may be provided to Bolivia for fiscal year 1987, under chapter 2 (relating to grant military assistance), chapter 4 (relating to the economic support fund), and chapter 5 (relating to international military education and training) of part II of the Foreign Assistance Act of 1961, and under chapter 2 of the Arms Export Control Act (relating to foreign military sales financing), only in accordance with the provisions of Section 611 of the International Security and Development Cooperation Act of 1985 (P.L. 99-83).

SEC. 539. (a) The Secretary of the Treasury shall instruct the United States Executive Directors of the Multilateral Development Banks to—

(1) vigorously promote the commitment of these institutions to—

(A) add staff with training and experience in ecology and related areas to undertake environmental review of projects, and strengthen existing staff currently exercising environmental responsibilities;

(B) develop and implement management plans to ensure systematic and thorough environmental review of all projects and activities affecting the ecology and natural resources of borrowing countries;

(C) create career and other institutional incentives for all professionally trained bank staff to incorporate environmental and natural resources concerns into project planning and country programming activities;

(2) vigorously promote changes in these institutions in their preparation of projects and country programs that will prompt staff and encourage borrower countries to—

(A) actively and regularly involve environmental and health ministers, or comparable representatives, at the national, regional and local level, in the preparation of environmentally sensitive projects and in bank-supported country program planning and strategy sessions;

(B) actively and regularly seek the participation of nongovernmental indigenous people and conservation organizations in the host countries at all stages of project planning and implementation and in country program planning and strategy sessions;

(C) fully inform local communities and appropriate nongovernmental organizations with interests in local development projects of all project planning sufficiently in advance of project appraisal to allow informed participation of local communities and nongovernmental organizations that may be adversely affected by them;

(3) vigorously promote the commitment of these institutions to develop and implement management plans to manage and rehabilitate on a sustained basis, the four principal biological foundations of developing economies: croplands, grasslands, forests and fisheries;

(4) vigorously promote the commitment of these institutions to increase the porportion of their programs supporting environmentally beneficial projects and project components, such as technical assistance for environmental ministries and institutions, resource rehabilitation projects and project components, protection of indigenous peoples, and appropriate light capital technology projects. Other examples of such projects include small scale mixed farming and multiple cropping; agroforestry; programs to promote kitchen gardens; watershed management and rehabilitation; high yield wood lots; integrated pest management systems; dune stabilization programs; programs to improve such as small scale hydro projects, rural solar energy systems, and rural and mobile telecommunications systems; and improved efficiency and management of irrigation systems;

(5) vigorously promote the establishment within the Economic Development Institute of the World Bank to institute a component which provides training in environmental and natural resource planning and program development; and

(6) regularly raise, at meetings of the Boards of Directors of these institutions, the issue of their progress in improving their environmental performance, with specific focus on the measures set forth in paragraphs (1), (2), (3), (4), and (5) of subsection (a).

(b) The Secretaries of Treasury and State, and the Administrator of the Agency for Inernational Develpment, shall ensure and coordinate a thorough evaluation within the United States Government of the potential problems, and the adequacy of measures to address these problems, associated with all proposed loans for projects involving large impoundments of rivers in tropical countries; penetration roads into relatively undeveloped areas; and agricultural and rural development programs; the potential environmental problems to be addressed in such evaluations shall include those relating to deterioration of water quality; siltation, spread of water borne diseases, forced resettlement, deforestation, threats to the land, health and the culture of indigenous peoples, top soil management, water logging and salinization in irrigation projects, and pesticide misuse and resistance.

(c) The Secretary of the Treasury and the Secretary of State shall regularly undertake and continue diplomatic and other initiatives, in addition to those mentioned in subsection (a)(5), to discuss measures to improve the environmental performance of the multilateral development banks with the representatives to these institutions, and with ministries from which they receive their instructions, of borrower and donor nations.

(d) The Secretary of the Treasury shall prepare and submit to the Committees on Appropriations by December 15, 1986, and quarterly thereafter, a report documenting the progress the multilateral development banks have made in implementing the environmental reform measures described in paragraphs (1), (2), (3), (4), and (5) of subsection (a).

(e) In the report of the Secretary of the Treasury required by subsection (d), regarding the implementation of staffing measures suggested in subsection (a)(1)(A), the Secretary of the Treasury shall specifically discuss the progress of the International Bank for Reconstruction and Development in adding environmentally trained professionals to each of the Bank's six regional office to review projects for their prospective ecological impacts.

(f) The Administrator of the Agency for International Development shall—

(1) instruct overseas missions of the Agency for International Development to prepare reports analyzing the impacts of multilateral development bank projects proposed to be undertaken in the host country well in advance of the projects approval by the relevant institution. Such reports shall address the economic viability of the project; adverse impacts to the environment, natural resources, and indigenous peoples; and recommendations as to measures, including alternatives, that could eliminate or mitigate adverse impacts. Such reports shall be made available to the public and

(2) in preparation of reports required by subsection (f)(1), compile a categorized list of projects likely to have adverse impacts on the environment, natural resources, or indigenous peoples. The list shall be developed in consultation with interested members of the public and made available to the Committees on Appropriations by December 31, 1986 and quarterly thereafter.

(g) If a report required by subsection (f)(1) identifies adverse impacts to the environment, natural resources, or indigenous peoples, the Secretary of the Treasury shall instruct the United States executive directors of the multilateral development banks to seek changes to the project necessary to eliminate or mitigate those impacts.

(h) The Administrator of the Agency for International Development shall appoint a Committee on Health and the Environment to examine opportunities for assisting countries in the proper use of industrial chemicals and processes. The Committee should be broadly representative of industry, labor and environmental interests and should report its preliminary findings to Congress before hearings on the fiscal year 1988 budget.

SEC. 541. Not less than $30,000,000 of the aggregate amount of funds appropriated by this Act to carry out the provisions of chapter 1 of part I of the Foreign Assistance Act of 1961 and chapter 4 of part II of that Act, shall be available for the provision of food, medicine, or other humanitarian assistance to the Afghan people, notwithstanding any other provision of law.

SEC. 548. None of the funds appropriated in this Act shall be made available for any costs associated with the Government of Ethiopia's forced resettlement program.

SEC. 549. None of the funds appropriated in this Act shall be obligated or expended for Sudan or Liberia except as provided through the regular notification procedures of the Committees on Appropriations.

SEC. 550. For the purpose of this Act, "program, project, and activity" shall be defined at the Appropriations Act account level and shall include all Appropriations and authorizations Acts earmarks, ceilings, and limitations with the exception that for the following accounts: Economic Support Fund; Military Assistance; and Foreign Military Credit Sales, "program, project, and activity" shall also be considered to include country, regional, and central program level funding within each such account; for the functional development assistance accounts of the Agency for International Development "program, project, and activity" shall also be considered to include central program level funding, either as (1) justified to the Congress, or (2) allocated by the Executive Branch in accordance with a report, to be provided to the Committees on Appropriations within thirty days of enactment of a Foreign Assistance and Related Programs Appropriations Act or of enactment of a continuing resolution containing funding for these programs for the balance of the fiscal year 1987, as required by Section 653(a) of the Foreign Assistance Act of 1961, as amended, whichever is the more recent action.

SEC. 551. Of the funds made available by this Act and appropriated for the "Child Survival Fund" and "Health, Development Assistance", up to an additional $7,500,000 may be used to reimburse the U.S. Public Health Service or the Centers for Disease Control for the full cost of up to an additional fifty Public Health Service employees.

SEC. 552. None of the funds made available by this Act shall be obligated or expended directly to Chile except for international disaster assistance and projects funded through the Inter-American Foundation.

SEC. 553. Notwithstanding any other provision of law, earmarks, limitations, and ceilings on programs, projects, and activities for fiscal year 1987 shall be funded as follows: (1) earmarks, limitations, and ceilings shall be funded in full as designated in this Act, (2) earmarks, limitations, and ceilings, which exist in other legislation but which pertain to foreign assistance programs funded in this Act, shall be reduced proportionately by a percentage equal to the percentage decrease in funds available in each account for countries other than Israel, Egypt, and Pakistan from fiscal year 1986 post sequestration funding levels to fiscal year 1987 appropriation levels, (3) notwithstanding the requirements of part (2) of this section, the proportionate relationship between earmarks for Greece and Turkey which existed in fiscal year 1986 shall be maintained in fiscal year 1987, and (4) nothing in this section shall preclude the application of sequestration action in fiscal year 1987, if it occurs, from applying to all earmarks, limitations, and ceilings in this Act and in applying to earmarks, limitations, and ceilings in corresponding authorizations legislation.

SEC. 554. If any funds appropriated by this Act for "Economic Support Fund", "Military Assistance", "International Military Education and Training", or "Foreign Military Credit Sales" are not used for assistance for the country for which those funds were allocated because that country has not taken adequate steps to halt illicit drug production or trafficking (including any funds withheld pursuant to section 481(h) of the Foreign Assistance Act of 1961 or section 611 or 612 of the International Security and Development Cooperation Act of 1985), those funds shall be used for additional assistance for those countries which have met their illicit drug eradication targets or have otherwise taken significant steps to halt illicit drug production or trafficking, as follows:

(1) Except as provided in paragraph (2), those funds shall be transferred to the "International Narcotics Control" account in order to provide additional narcotics control assistance to those countries. Such transfers may be made without regard to the 20-percent increase limitation contained in section 610(a) of the Foreign Assistance Act of 1961. Such transfers shall be subject to the regular notification process of the Committees on Appropriations.

(2) Any of those funds—

(A) which the President determines (and reports to the Congress) should not be used for additional narcotics control assistance for those countries because the additional assistance could not be used effectively in halting illicit drug production or trafficking,

(B) whose transfer pursuant to paragraph (1) is not approved by the Appropriations Committees, or

(C) which are appropriated for "Foreign Military Credit Sales",

shall be reprogrammed within the account for which they were appropriated (subject to regular reprogramming procedures of the Committees on Appropriations) in order to provide additional economic or military assistance (as the case may be) to those countries.

SEC. 556. None of the funds made available by this Act or any prior Act shall be expended if such expenditure would cause total fiscal year 1987 expenditures for foreign assistance programs or activities contained in this or prior year Acts to exceed $10,641,000,000: *Provided*, That notwithstanding any other provision of law authorizing or appropriating funds or authority for the appropriations items contained in this Act (except that the provisions of 31 U.S.C. 1341(a) and 1517 shall be applicable), not more than $4,810,000,000 shall be expended before October 1, 1987 pursuant to the discretionary budget authority made available by this Act: *Provided further*, That expenditures for the following shall not be restricted in any manner in order to accomplish these limitations: (1) Economic Support Fund earmarks for Israel, Egypt, Pakistan, and Ireland; (2) Foreign Military Credit Sales earmarks for Israel, Egypt, and Pakistan; (3) Operating expenses of the Agency for International Development; (4) Operating expenses of the Agency for International Development Office of the Inspector General; (5) Peace Corps; (6) International Bank for Reconstruction and Development, Special Facility for Sub-Saharan Africa; (7) United Nations Children's Fund (UNICEF); (8) United Nations Environment Program; (9) International Fund for Agricultural Development; (10) Child Survival Fund; (11) American Schools and Hospitals Abroad; (12) Migration and Refugee Assistance; (13) Export-Import Bank direct loan program: *Provided further*, That the President shall report to the Committees on Appropriations every 90 days on the implementation of this section.

SEC. 557. (a) Section 49 of the Bretton Woods Agreements Act (22 U.S.C. 286gg) is amended by adding at the end the following new subsection:

"(d) For purposes of this section, the term 'multilateral development banks' means the International Bank for Reconstruction and Development, the Inter-American Development Bank, the African Development Bank, and the Asian Development Bank.".

(b) Section 49(a)(1) of the Bretton Woods Agreements Act (22 U.S.C. 286gg(a)(1) is amended—

(1) by inserting before "the Fund" the first place it appears the following: "each of the multilateral development banks (in this section referred to as the 'banks') and of ;

(2) by inserting "each of the banks and of" before "the Fund" the second place it appears;

(3) by inserting "banks and of the" before "Fund" the third place it appears; and

(4) by striking "Fund" the fourth place it appears.

(c) Section 49(a)(3) of the Bretton Woods Agreements Act (22 U.S.C. 286gg(a)(3)) is amended—

(1) by inserting "each of the banks and of" before "the Fund" the first place it appears; and

(2) by striking "Fund" the second place it appears and inserting "their".

(d) Section 49(b)(1) of the Bretton Woods Agreements Act (22 U.S.C. 286gg(b)(1)) is amended—

(1) by inserting "each of the banks and of" before "the Fund" the first place it appears;

(2) by inserting "the bank and by" before "the Fund" the second place it appears; and

(3) by inserting "the banks and" before "the Fund" the third place it appears.

(e) Section 49(c) of the Bretton Woods Agreements Act (22 U.S.C. 286gg(c)) is amended by inserting "bank and" before "Fund" each place it appears.

CHANGES IN THE APPLICATION OF EXISTING LAW

Pursuant to Clause 3, Rule XXI of the House of Representatives, the following statements are submitted describing the effects of provisions in the accompanying bill which directly or indirectly change the application of existing law. Most of the language has been provided in previous appropriation measures including supplements for the departments and agencies carried in the accompanying bill. Provisions complying with this rule can also be found in the section entitled "Limitation and Legislative Provisions."

1. The bill contains appropriations for a number of items for which authorizations for fiscal year 1987 have not yet been enacted.

2. The bill provides that a few of the appropriations shall remain available for obligation beyond the current fiscal year. In all cases the enacted or pending authorization bill provides for this extended availability and it is deemed desirable to carry such language in order to provide for orderly administration of such programs and effective use of funds. Also, the bill does not allow some of the funds to remain available until expended as provided for in the authorizing legislation.

3. The bill contains a number of general provisions and other language which have been carried in the bill in past years.

4. In many cases, the Committee has recommended reduction in the amount proposed to be authorized for the various foreign aid programs.

5. On page 4 under contribution to the Special Facility for Sub-Saharan Africa, the Committee has provided funds for the Special Facility for Africa and directed that the funds be obligated by December 31, 1986.

6. On page 7 under "International Organizations and Programs", the Committee has earmarked specific levels of funding for each of the subaccount programs.

7. On page 9 under "Agriculture, rural development, and nutrition, Development Assistance", the Committee earmarks funds for the Vitamin A Deficiency Program and has provided up to $5 million for surplus dairy products.

8. On pages 9 and 10 under "Population, Development Assistance", the Committee recommends a provision that prohibits providing funds to any organization or program, as determined by the President of the United States, that supports or participates in the management of a program or coercive abortion or involuntary ster-

ilization. Further the provision requires that population funds shall be available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to a broad range of family planning methods and services. No applicant can be discriminated against because of their religious or conscientious commitment to offer only natural family planning; however the language also requires that they comply with the provision on informed consent.

9. On page 10, under "Energy and selected development activities, Development Assistance, the Committee directs that $5,000,000 be transferred to the section "Science and Techology, Development Assistance to be available only for cooperative projects among the United States, Israel and developing countries.

10. On pages 10 and 11, under "Limitation on Development Assistance," the Committee has added a new section limiting any increase in the percentage of development assistance funds to regions, countries, or central programs other than those for Sub-Saharan Africa.

11. On page 11, under "Haiti, Development Assistance," the Committee has added a new section earmarking funds for Haiti.

12. On page 11, under "Private and Voluntary Organizations," the Committee repeats a provision inserted in 1986 requiring 20 percent privatization.

13. On pages 12 and 13, under "Loan allocation, Development Assistance", the Committee set loan rates at near Treasury rates. Also, the Committee has made loans available through September 1988.

14. On page 13 under, "Sahel development program, the Committee has included language that states that the U.S. Contribution to the Sahel program shall not exceed 10 percent of the contributions to that program.

15. On pages 13 and 14, under "Operating expenses of the Agency for International Development," the Committee has inserted language allowing the charging of certain costs to program accounts.

16. On pages 14 and 15 under "Operating expenses of the Agency for International Development Office of Inspector General, the Committee has separate funding for the Inspector General and has included a provision allowing for three percent of AID operating funds to be marked with the Inspector General funding.

17. On page 15 under "Housing and other credit guaranty programs" the Committee has added new language that allows credit guaranty funds to be borrowed from the U.S. Treasury, as provided in the authorizations law. Also, the bill language states that the President shall enter into commitments to guaranteed loans subject only to the availability of qualified applicants for such guarantees.

18. On pages 15 through 19 under "Economic support fund" the Committee earmarks funds for Israel, Egypt, and Pakistan and for the International Fund for Northern Ireland and Ireland. The Committee urges Israel and Egypt to review efforts to restore diplomatic relations, including ambassadors, and to achieve realization of the Camp David Accords. The Committee directs that funds for Israel be provided as a cash transfer within 30 days of signature of

the Act or October 31, 1986 whichever is later. The Committee requires that funds placed in the Central Reserve Bank of El Salvador be maintained in a separate account. The Committee makes not less than $115 million of the funds for Egypt available as a cash transfer. The Committee earmarks $1,000,000 in funds to be used through the normal notification process, to assist the Government of El Salvador's Special Investigative Unit for the purpose of bringing to justice those responsible for the murders of U.S. citizens in El Salvador. The Committee includes language that requires that projects for tied aid credit must be submitted through the notification process. The Committee allows amounts greater than $115,000,000 to be provided as cash transfer in support of implementation of a comprehensive government of Egypt structural economic reform package subject to the regular notification process. The Committee provides up to $15,000,000 for Jordan's West Bank development program. The Committee provides $20,000,000 for the Administration of Justice program. The Committee provides $20,000,000 for a narcotics control program subject to the regular notification process. The Committee places all funds for South Africa subject to the regular notification process. The Committee requires that separate bank accounts be maintained for ESF cash transfers and local currencies.

19. On page 20, under "Inter-American Foundation," the Committee provided an additional sum of $1,000,000 for projects for Haiti.

20. On page 22, under "Migration and Refugee Assistance", the Committee earmarks $25,000,000 to be available for Soviet, Eastern European and other refugees resettling in Israel. The Committee requires that the funds be administered equitably among all refugees receiving federal assistance.

21. On page 23, under "Peacekeeping Operations," the Committee directs that funds not spent revert to the U.S. Treasury and that not more than half of the funds be obligated until a deficit elimination plan is submitted to Congress.

On pages 24 and 25, under "Military Assistance", the Committee earmarks funds for narcotics control aircraft. The Committee has required funds for Haiti to go through the regular notification process. The Committee has required that it receive certain reports.

22. On pages 25 and 26, under "Foreign Military Credit Sales", the Committee earmarks funds for Israel, Egypt and Pakistan. The Committee has capped the funds available for concessional loans at $498,510,000 and has required all changes in the concessional program to be submitted through the regular notification processes of the Committees on Appropriations. The Committee has earmarked funding for the Lavi program for Israel. The Committee has prohibited FMS financing for Guatemala unless the President of Guatemala has requested the assistance to be provided; and that the Government of Guatemala has made demonstrated progress during the previous year in achieving control over its military and security forces, in eliminating abuses by such forces of internationally recognized human rights and in respecting the internationally recognized human rights of its Indian population.

23. On pages 28, and 29 under "Export Import Bank, Limitation on Administrative Expenses" the Committee has restricted the availability of funds after January 1, 1987 unless the Bank adjusts its financial accounting and reporting practices.

24. On pages 29-63 under "General Provisions", the Committee withholds 50 percent of the funds for Jamaica and Peru subject to a Presidential determination and report on their responsiveness to drug control efforts. The Committee includes conditions on the provision of funds to Bolivia requiring them to meet certain eradication goals. The Committee provides for the extended availability of section 103 through 106 funds for the Agency for International Development. The Committee provides for the waiver of the notification process in certain instances. The Committee provides for elimination of funding subject to a Presidential certification that a country is not taking adequate drug control measures. The Committee requires reports on foreign domestic economic policies. The Committee instructs the Secretary of the Treasury concerning environmental issues in the multilateral institutions. The Committee earmarks funds for humanitarian assistance to the Afghan people. The Committee requires that no funds be available for the Ethiopian forced resettlement program. The Committee requires that all funds for Sudan and Liberia be provided through the regular notification process. The Committee defines program, project, and activity for the purposes of sequestration. The Committee allows for the reimbursement for the costs of an additional fifty Public Health Service employees. The Committee restricts funds provided directly to Chile. The Committee provides for the reduction of authorization earmarks in a proportionate manner. The Committee provides for the use of funds not used because of provisions on narcotics control to be used in other countries for narcotics control purposes. The Committee limits total outlays to $10,641,000,000, and discretionary outlays to $4,810,000,000 and reserves outlays for selected programs. The Committee instructs the Secretary of the Treasury to instruct the U.S. Executive Director to the Inter-American Development Bank to work on a coordinated assistance program for Haiti. The Committee amends Sec. 49 of the Bretton Woods Agreements Act to include the multilateral development banks in trade provisions currently applying to the International Monetary Fund.

ADDITIONAL VIEWS OF HON. JACK KEMP

I would have liked to have been able to join in support of a foreign aid bill to meet our Nation's foreign policy and defense requirements. Instead, I regret to say that this bill does not begin to meet that goal.

The argument has been made that the Committee has taken proportional cuts evenly across all accounts, in a fair and reasonable way.

But a quick review of this bill shows that that is not at all the case. Let us look at the facts:

> The 9.7 percent "fair" across-the-board cut—due to earmarks, add-backs, and failure to cut lower priority programs—turns into a 35 percent cut for economic support funds, and a 51 percent cut in military aid.
>
> Overall, security assistance is cut by 40 percent below last year's levels. The results are shown on tables I and II.

TABLE I.—EFFECTS OF SUBCOMMITTEE MARK ON BASE RIGHTS AND CENTRAL AMERICAN COUNTRIES

After allowing for earmarks, the following cuts were made in the subcommittee, relative to FY 1986 funding levels:

	Percent
Economic Support Fund	−36
Foreign Military Sales	−51
Military Assistance Program	−9.7
All Security Assistance	−41

Using a formula approach—cutting all countries across the board by these percentages—the shortfall from FY86 levels is shown below. The total shortfall is the sum of cuts in ESF, FMS, and MAP, shown in millions of dollars.

Central America:	
Belize	0.7
Costa Rica	43.7
El Salvador	76.1
Guatemala	17.3
Honduras	27.8
Panama	2.5
ROCAP	14.0
Total	182.1
Base rights countries:	
Greece	220.5
Portugal	56.1
Spain	200.1
Turkey	272.8
Phillipines	54.2
Total	803.7

TABLE II: COUNTRY DETAILS

Economic Support Fund (ESF)

Fiscal year 1986	3,540.6
Fiscal year 1987 CMTE	3,196.8
Less:	
Israel	1,200.0
Egypt	815.0
Pakistan	250.0
Ireland	50.0
Afghan humanitarian	15.0
Jordan	15.0
Leaves for all other (a 36.1-percent cut)	851.8

Central America	Fiscal year 1986	CMTE 1987	Shortfall
Belize	1.9	1.2	0.7
Costa Rica	120.6	77.1	43.5
El Salvador	177.0	113.1	63.9
Guatemala	47.9	30.6	17.3
Honduras	61.2	39.1	22.1
Panama	5.7	3.7	2.1
ROCAP	38.9	24.8	14.0
Total	453.2	289.6	163.6

Base rights	Fiscal year 1986	CMTE 1987	Shortfall
Portugal	76.5	48.9	27.6
Spain	11.5	7.3	4.1
Turkey	119.6	76.4	43.2
Philippines	119.6	76.4	43.2
Total	327.2	209.1	118.1
Africa	269.7	172.3	97.4

Foreign Military Sales (FMS)

Fiscal year 1986	4,966.8
Fiscal year 1987 CMTE	4,264.7
Less:	
Israel	1,800.0
Egypt	1,300.0
Pakistan	340.0
Leaves for all other (a 51.2-percent cut)	824.7

Base rights	Fiscal year 1986	CMTE 1987	Shortfall
Greece	430.7	210.2	220.5
Portugal	43.1	21.0	22.0
Spain	382.8	186.8	196.0
Turkey	409.5	199.8	209.6
Philippines	14.4	7.0	7.3
Total	1,280.3	624.8	655.5

Military Assistance Program (MAP)

Fiscal year 1986	748.4
Fiscal year 1987 CMTE	675.7

Central America	Fiscal year 1986	CMTE 1987	Shortfall
Belize	0.5	0.4	0
Costa Rica	2.4	2.2	0.2
El Salvador	125.4	113.2	12.2
Guatemala		0.0	0.0
Honduras	58.7	53.0	5.7
Panama	3.8	3.5	0.4
ROCAP			
Total	190.7	172.2	18.5

Base rights	Fiscal year 1986	CMTE 1987	Shortfall
Portugal	67.0	60.5	6.5
Turkey	205.0	185.8	20.0
Philippines	38.3	34.6	3.7
Total	311.0	280.9	30.2

What is the justification for such severe cuts in the security assistance accounts?

It has been argued that this result is mandated by Gramm-Rudman restraints. I did not vote for Gramm-Rudman, precisely because I was concerned over its impact on national security requirements. But there is no need to use Gramm-Rudman as an excuse to make things even worse.

I share the Committee's desire to protect security assistance for Egypt and Israel, and for Pakistan to the extent possible. But after that, our priorities are very different. Instead of emphasizing security assistance as our top priority and providing the funds necessary to meet our responsibilities to the base rights countries and Central America, a formula was applied that treats the multilateral banks and Ex-Im as more important.

This misplaced set of priorities is shown clearly by looking at the cuts in each area:

	Percent
Security assistance after earmarks for Egypt, Israel, Pakistan	−41.0
Ex-Im	−14.0
Multilateral development banks	−9.7

There were also more than $200 million in addbacks. Many of these programs included are important ones, and ones that I support. But they should not be made at the cost of these massive cuts in security assistance.

It's quite clear that by protecting Ex-Im, the MDBS, and adding back funds, we end up with security assistance being cut 3 to 4 times as much as Ex-Im or the banks.

The Committee, instead of funding programs by "formula," should ask: What are our foreign policy objectives? How do our foreign aid programs meet those objectives? What kinds of assistance are most needed? Where is our aid most effective?

I fear that the subcommittee's bill reflects a very different approach, one that emphasizes budgeting concerns and the appearance of fairness over the hard job of setting national priorities.

I'd like to single out some examples of the consequences of this mark:

Central America.—For the beleaguered democracies of Central America, ESF will be cut $160 million below the FY86 level. In effect, this takes back more than half the amount the House just enacted for economic assistance for the region. This cut represents the entire ESF budget for Costa Rica and Guatemala. And this cut occurs at a time when direct Soviet weapons shipments have been resumed to Nicaragua, and as Sandinista repression of human rights in that country grows worse day by day. If we follow the Committee mark, the imperative of the Jackson plan will be perilously ignored.

Base rights countries.—The U.S. has military bases abroad to protect our security. The security of those bases, in turn, is dependent upon the security and stability of the host nations, each of which is a formal ally of the United States.

Under the Committee bill, military assistance to all base rights countries—Philippines, Portugal, Spain, Greece, and Turkey—will be cut nearly in half. Their security assistance overall will be cut $830 million from last year's levels. These cuts are the equivalent of totally—and I mean totally—zeroing out all funding for the Philippines, Spain, and Portugal. What does this say about U.S. friendship and commitments to the people of the Philippines, or the voters in Spain that just ratified their membership in NATO, or the Government of Portugal whose support was critical in times of crisis for Israel, or America's other vital allies?

Africa.—At a time when famine and depression stalk the Continent, and the nations of Africa, as evidenced in the U.N. special session, have made a commitment to policy reform, economic support funds for Africa will be cut nearly $100 million. This would virtually wipe out the bilateral economic reform program, which was designed to assist countries undertake the necessary economic reforms to help them resume long-term economic development.

And while the Committee would have us cut by nearly half our security assistance to U.S. friends and allies, consider what the Soviets are doing:

> Never before has the Soviet Union had a Blue Water Navy.
>
> Never before have Soviet clients such as the PLO and Soviet surrogates such as Syria been so well supplied.
>
> Never before has the Soviet materiel and equipment been flowing beyond Cuba into our own hemisphere.

By all reports, the Soviet Union is stepping up arms supplies into the Third World. Just in the last few months, Libya has just received a pledge of additional military support from Moscow, in addition to the SA5 antiaircraft missiles it just received.

The Soviets have promised more arms to Syria, and there are unconfirmed Israeli reports that Moscow is about to give the Syrians the highly accurate SA23 ground to ground missile with a 250-mile range.

In Angola, the Soviets have replaced all the war material the army there lost last year in its offensive against Savimbi's forces. Top Cuban and Soviet military commanders have been involved in planning a new offensive to capture Unita Headquarters.

In Ethiopia, Eritrean resistance fighters report that 4,000 to 5,000 additional Soviet technicians and and pilots have recently arrived in the provincial capital of Asmara in preparation for the ninth Ethiopian attempt to seize their headquarters.

In Cambodia, the Soviet-backed Government nearly crippled the resistance forces last year. Refugee camps are overflowing with families fleeing Cambodia, Laos, and Vietnam in fear for their lives.

In Nicaragua, as noted above, direct Soviet weapons shipments have been resumed, as Soviet ships offload their deadly cargo at Managaua. And the last two Contadora meetings were notable for the presence of Cuban and Soviet "Observors" in the halls. Just this month, the House clearly expressed its commitment to oppose Soviet Expansion into Central America. The chairman's mark would call into question that commitment.

Speaking for the Republican members of the subcommittee, we believe that this is exactly the wrong time to be retreating from the world. The growth in Soviet military power, Soviet Military aid to aggressive client states, and support for subversive and terrorist forces throughout the world mandates more, not less support and help from the United States if we are to stand a chance of preserving peace and stability.

The most charitable thing that can be said about the foreign policy priorities reflected in this bill is that they are naive. A 40-percent cut in our critical security assistance programs is unconscionable.

I for one do not believe that the United States, as leader of the Free World, can afford to turn our back on those nations dependent on us for their very survival. And I believe that a majority of the Members of the House of Representatives would agree.

I hope that between now and the signing of this bill we can work together to bring some balance to this bill. That will mean increasing security assistance—particularly for the base rights countries and Central America—trimming back Ex-Im and the MDBS and the addbacks added in subcommittee. Only in this way can we have a balanced bill, that will make some contribution toward meeting our national security needs.

JACK KEMP.

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1986 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1987

Agency and item	New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987	New budget (obligational) authority recommended in bill	Bill compared with— New budget (obligational) authority, fiscal year 1986	Bill compared with— Budget estimates of new (obligational) authority, fiscal year 1987
TITLE I - MULTILATERAL ECONOMIC ASSISTANCE					
FUNDS APPROPRIATED TO THE PRESIDENT					
International Financial Institutions					
World Bank Group					
Contribution to the International Bank for Reconstruction and Development:					
Paid-in capital	105,002,549	182,845,991	94,805,000	-10,197,549	-88,040,991
Limitation on callable capital subscriptions	(1,353,220,096)	(2,105,188,054)	(1,169,261,667)	(-183,958,429)	(-935,926,387)
Total, contribution to the International Bank for Reconstruction and Development	(1,458,222,645)	(2,288,034,045)	(1,264,066,667)	(-194,155,978)	(-1,023,967,378)
Budget authority	105,002,549	182,845,991	94,805,000	-10,197,549	-88,040,991
Limitation on callable capital	(1,353,220,096)	(2,105,188,054)	(1,169,261,667)	(-183,958,429)	(-935,926,387)
Contribution to the International Development Association (IDA VI)	669,900,000	750,000,000	604,844,000	-65,056,000	-145,156,000
Contribution to the International Finance Corporation	27,827,390	35,033,000	25,125,000	-2,702,390	-9,908,000
Contribution to the Special Facility for Sub Saharan Africa	71,775,000	---	64,805,000	-6,970,000	+64,805,000
Contribution to Multilateral Investment Guarantee Agency:					
Paid-in capital	---	44,403,116	---	---	-44,403,116
Limitation on callable capital	---	(177,612,464)	---	---	(-177,612,464)
Total, contributions World Bank Group	(2,227,725,035)	(3,295,082,625)	(1,958,840,667)	(-268,884,368)	(-1,336,241,958)
Budget authority	874,504,939	1,012,282,107	789,579,000	-84,925,939	-222,703,107
Limitation on callable capital	(1,353,220,096)	(2,282,800,518)	(1,169,261,667)	(-183,958,429)	(-1,113,538,851)

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Contribution to the Inter-American Development Bank:					
Fund for special operations	38,280,000	72,500,000	34,562,000	-3,718,000	-37,938,000
Inter-regional paid-in capital	36,366,983	58,000,983	32,835,000	-3,531,983	-25,165,983
Inter-American Investment Corporation	11,197,000	13,000,000	---	-11,197,000	-13,000,000
Limitation on callable capital subscriptions	(1,230,964,704)	(1,230,964,704)	(696,868,299)	(-534,096,405)	(-534,096,405)
Total, contribution to the Inter-American Development Bank	(1,316,808,687)	(1,374,465,687)	(764,265,299)	(-552,543,388)	(-610,200,388)
Budget authority	85,843,983	143,500,983	67,397,000	-18,446,983	-76,103,983
Limitation on callable capital	(1,230,964,704)	(1,230,964,704)	(696,868,299)	(-534,096,405)	(-534,096,405)
Contribution to the Asian Development Bank:					
Paid-in capital	11,397,408	13,232,676	10,291,000	-1,106,408	-2,941,676
Development fund	95,700,000	130,000,000	86,406,000	-9,294,000	-43,594,000
Limitation on callable capital subscriptions	(226,230,498)	(251,367,220)	(195,551,923)	(-30,678,575)	(-55,815,297)
Total, contribution to the Asian Development Bank	(333,327,906)	(394,599,896)	(292,248,923)	(-41,078,983)	(-102,350,973)
Budget authority	107,097,408	143,232,676	96,697,000	-10,400,408	-46,535,676
Limitation on callable capital	(226,230,498)	(251,367,220)	(195,551,923)	(-30,678,575)	(-55,815,297)
Contribution to the African Development Fund	59,573,000	75,000,000	53,788,000	-5,785,000	-21,212,000
Contribution to the African Development Bank:					
Paid-in capital	15,492,910	17,986,359	13,988,000	-1,504,910	-3,998,359
Limitation on callable capital	(48,564,032)	(53,960,034)	(41,980,980)	(-6,583,052)	(-11,979,054)
Total, contributions to the African Development Bank	(64,056,942)	(71,946,393)	(55,968,980)	(-8,087,962)	(-15,977,413)
Budget authority	15,492,910	17,986,359	13,988,000	-1,504,910	-3,998,359
Callable capital	(48,564,032)	(53,960,034)	(41,980,980)	(-6,583,052)	(-11,979,054)
Total, contribution to International Financial Institutions	(4,001,491,570)	(5,211,094,601)	(3,125,111,869)	(-876,379,701)	(-2,085,982,732)
Budget authority	1,142,512,240	1,392,002,125	1,021,449,000	-121,063,240	-370,553,125
Limitation on callable capital	(2,858,979,330)	(3,819,092,476)	(2,103,662,869)	(-755,316,461)	(-1,715,429,607)
Department of State					
International organizations and programs	265,971,475	186,000,000	238,995,000	-26,976,475	+52,995,000
Total, contribution for Multilateral Economic Assistance, title I	(4,267,463,045)	(5,397,094,601)	(3,364,106,869)	(-903,356,176)	(-2,032,987,732)
Budget authority	1,408,483,715	1,578,002,125	1,260,444,000	-148,039,715	-317,558,125
Limitation on callable capital	(2,858,979,330)	(3,819,092,476)	(2,103,662,869)	(-755,316,461)	(-1,715,429,607)

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1986 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1987—Continued

Agency and item	New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987	New budget (obligational) authority recommended in bill	Bill compared with— New budget (obligational) authority, fiscal year 1986	Bill compared with— Budget estimates of new (obligational) authority, fiscal year 1987
TITLE II - BILATERAL ECONOMIC ASSISTANCE					
FUNDS APPROPRIATED TO THE PRESIDENT					
Agency for International Development					
Agriculture, rural development, and nutrition Development Assistance	669.895.000	709.900.000	619.839.000	-50,056.000	-90,061.000
Population, Development Assistance	239.250.000	250.000.000	239.250.000	---	-10.750.000
Health, Development Assistance	192.189.000	150.843.000	173.525.000	-18.664.000	+22.682.000
Child Survival Fund	23.925.000	25.000.000	50.000.000	+26.075.000	+25.000.000
Education and human resources development, Development Assistance	162.642.000	179.789.000	146.847.000	-15.795.000	-32.942.000
Energy and selected development activities, Development Assistance	166.862.000	217.210.000	135.657.000	-31.205.000	-81.553.000
Science and technology, Development Assistance	10.326.000	14.258.000	9.323.000	-1.003.000	-4.935.000
Private sector revolving fund (by transfer)	(17.226.000)	(13.500.000)	(15.553.000)	(-1.673.000)	(+2.053.000)
(Limitation on direct loans)	(18.000.000)	(15.000.000)	---	(-18.000.000)	(-15.000.000)
Total, development assistance	1 465.089.000	1.547.000.000	1.374.441.000	-90.648.000	-172.559.000
American schools and hospitals abroad	33.495.000	10.000.000	33.495.000	---	+23.495.000
International disaster assistance	21.532.000	25.000.000	19.441.000	-2.091.000	-5.559.000
Sahel development program	77.038.000	80.000.000	69.557.000	-7.481.000	-10.443.000
Payment to the Foreign Service Retirement and Disability Fund	43.122.000	45.492.000	45.492.000	+2.370.000	---
AID deobligate/reobligate reappropriation	5.000.000	---	100.000.000	+95.000.000	+100.000.000
Operating expenses of the Agency for International Development	360.167.000	388.900.000	340.600.000	-19.567.000	-48.300.000
Operating expenses of the Office of the Inspector General	20.145.000	21.750.000	18.189.000	-1.956.000	-3.561.000

Housing and other credit guaranty programs:					
Loan reserve	---	10,000,000	---	---	-10,000,000
(Limitation on guaranteed loans)	(145,464,000)	---	(145,464,000)	---	(+145,464,000)
Subtotal, Agency for International Development	2,025,588,000	2,128,142,000	2,001,215,000	-24,373,000	-126,927,000
Economic support fund	3,540,642,000	4,093,800,000	3,196,798,000	-343,844,000	-897,002,000
Total, Agency for International Development	5,566,230,000	6,221,942,000	5,198,013,000	-368,217,000	-1,023,929,000
African Development Foundation					
Appropriations	3,706,000	6,500,000	3,872,000	+166,000	-2,628,000
Inter-American Foundation					
Appropriations	11,454,000	10,800,000	11,800,000	+346,000	+1,000,000
Overseas Private Investment Corporation					
(Limitation on direct loans)	(13,637,000)	(15,000,000)	(23,000,000)	(+9,363,000)	(+8,000,000)
(Limitation on guaranteed loans)	(136,372,000)	(150,000,000)	(200,000,000)	(+63,628,000)	(+50,000,000)
Total, Funds Appropriated to the President	5,581,390,000	6,239,242,000	5,213,685,000	-367,705,000	-1,025,557,000
Independent Agency					
Peace Corps	124,410,000	126,200,000	130,000,000	+5,590,000	+3,800,000
Department of State					
International narcotics control	55,055,000	65,445,000	65,445,000	+10,390,000	---
Migration and refugee assistance	324,356,000	347,525,000	347,525,000	+23,169,000	---
United States Emergency Refugee and Migration Assistance Fund	---	25,000,000	25,000,000	+25,000,000	---
Anti-terrorism assistance	7,101,000	9,840,000	9,840,000	+2,739,000	---
Peacekeeping operations	32,538,000	39,000,000	29,378,000	-3,160,000	-9,622,000
Total, Department of State	419,050,000	486,810,000	477,188,000	+58,138,000	-9,622,000
Total, title II, Economic assistance - bilateral:					
New budget (obligational) authority	6,124,850,000	6,852,252,000	5,820,873,000	-303,977,000	-1,031,379,000
(Limitation on direct loans)	(31,637,000)	(30,000,000)	(23,000,000)	(-8,637,000)	(-7,000,000)
(Limitation on guaranteed loans)	(281,836,000)	(150,000,000)	(345,464,000)	(+63,628,000)	(+195,464,000)

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1986 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1987—Continued

Agency and item	New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987	New budget (obligational) authority recommended in bill	Bill compared with—	
				New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987
TITLE III - MILITARY ASSISTANCE					
FUNDS APPROPRIATED TO THE PRESIDENT					
Military Assistance	748,374,000	1,046,450,000	675,697,000	-72,677,000	-370,753,000
International Military Education and Training	52,146,500	68,830,000	47,082,000	-5,064,500	-21,748,000
Foreign Military Credit Sales:					
Direct credits and forgiven loans	4,966,830,000	5,611,000,000	4,264,744,284	-702,085,716	-1,346,255,716
Special Defense Acquisition Fund (limitation on obligations)	(311,025,000)	(350,000,000)	(280,820,000)	(-30,205,000)	(-69,180,000)
Total, military assistance programs	5,767,350,500	6,726,280,000	4,987,523,284	-779,827,216	-1,738,756,716
(Limitation on obligations)	(311,025,000)	(350,000,000)	(280,820,000)	(-30,205,000)	(-69,180,000)
TITLE IV - EXPORT ASSISTANCE					
FUNDS APPROPRIATED TO THE PRESIDENT					
Agency for International Development					
Trade credit insurance program	(250,000,000)	---	---	(-250,000,000)	---
Trade and development	18,087,000	18,000,000	16,331,000	-1,756,000	-1,669,000
Total, Agency for International Development	18,087,000	18,000,000	16,331,000	-1,756,000	-1,669,000
Department of the Treasury					
Fair Export Financing Program	---	300,000,000	---	---	-300,000,000
Total, Funds Appropriated to the President	18,087,000	318,000,000	16,331,000	-1,756,000	-301,669,000

EXPORT-IMPORT BANK OF THE UNITED STATES

Limitation of Program Activity:					
(Limitation on direct loans)	(1,062,270,000)	---	(900,000,000)	(-162,270,000)	(+900,000,000)
(Limitation on guaranteed loans)	(11,484,000,000)	(12,000,000,000)	(11,350,000,000)	(-134,000,000)	(-650,000,000)
(Limitation on administrative expenses)	(17,568,000)	(19,175,000)	(17,568,000)	---	(-1,607,000)
Total, Export-Import Bank of the United States, (limitations on use of corporate funds)	(12,563,838,000)	(12,019,175,000)	(12,267,568,000)	(-296,270,000)	(+248,393,000)
Total, title IV, export assistance	18,087,000	318,000,000	16,331,000	-1,756,000	-301,669,000
RECAPITULATION					
Total, new budget (obligational) authority	**13,318,771,215**	**15,474,534,125**	**12,085,171,284**	**-1,233,599,931**	**-3,389,362,841**
Total, Export-Import Bank, new budget (obligational) authority	**1,062,270,000**	**---**	**900,000,000**	**-162,270,000**	**+900,000,000**
Total NBOA (including Ex-Im)	**14,381,041,215**	**15,474,534,125**	**12,985,171,284**	**-1,395,869,931**	**-2,489,362,841**
Memoranda:					
(By transfer)	**---**	**---**	**---**	**---**	**---**
(Limitation on obligations)	**(311,025,000)**	**(350,000,000)**	**(280,820,000)**	**(-30,205,000)**	**(-69,180,000)**
(Limitation on guaranteed loans)	**(11,765,836,000)**	**(12,150,000,000)**	**(11,695,464,000)**	**(-70,372,000)**	**(-454,536,000)**
(Limitation on direct loans)	**(1,093,907,000)**	**(30,000,000)**	**(923,000,000)**	**(-170,907,000)**	**(+893,000,000)**